

Scottish Government

**Asset Management Review
of Rural Land**

**Report to the Minister for
the Environment**

February 2009

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Executive Summary

Introduction

1. Scottish Ministers have extensive and valuable assets in the form of land in a wide variety of types, uses and management arrangements. Ministers need to be assured that under current arrangements all or most of the Scottish Government land estates is efficiently and effectively managed. References to “Land” in the context of this report means rural land used for agriculture, forestry, crofting or maintained for heritage purposes in a natural or semi-natural state. The Scottish Government Asset Management Review which reported in January 2008 recommended that a review of the land assets should be undertaken which takes the form of this report. The report also encompasses the requirements of the SEARS Land Management Project looking at how land is managed across its delivery partners. The use and management of land areas identified is primarily, but not only, an issue for the individual organisations. This review identifies best practice across the whole rural land estate to ensure that the need for and use of these assets is regularly reviewed; and opportunities are taken to manage the land in the most efficient and effective manner.

2. The total rural land area is 812,731 hectares occupied by the organisations listed in Annex B and managed for a wide range of purposes:

- To promote plant science and education;
- to assist in research programmes;
- for maintenance of viable crofting communities;
- in the performance of statutory and regulatory work for EU and other legislation;
- for management of National Nature Reserves;
- to provide forestry for people and communities
- to promote competitive and innovative forestry businesses
- to provide a high quality, robust and adaptable environment through sustainable forestry and land management.

All organisations have their own databases and recording systems for their own land holdings with reasonably detailed and accurate land information.

Aims

3. The main aims of the review are as follows:

- To clarify what the Scottish Government rural land estate as managed by organisations within the Environment portfolio, consists of and who has control of and an influence over the use of those assets; and
- To make recommendations on potential management improvements; identify possibilities for increased collaboration; and inform future policy direction for this part of the Government estate including the delivery of public benefits in the broadest sense.

Recommendations

4. The report concluded that land was already being well managed. The nine recommendations focus on building on the good practice which already exists. All organisations will continue to maintain their own databases in their current format, but recorded land will be kept on a single map maintained by the FCS and updated annually. All organisations will make rural land management a discrete part of their business plan and will continue to follow SPFM procedures with help and advice from Property Advice Division as required. The participating organisations in this review are aware of the need to give consideration in the first instance to surplus land for allotments and new entrants to farming; the recommendations reflect this. All organisations recognise the potential benefits in participating in procurement exercises run by any one organisation for assessing development potential.

Introduction

Purpose of the Review

5. The Cabinet Secretary for Environment commissioned a review of the management arrangements and issues concerning the rural land estates held by Scottish Ministers. This came from a recommendation contained in the Scottish Government Asset Management Review report made to the Cabinet Secretary for Finance and Sustainable Growth in January 2008. Recommendation No 8 stated: “to undertake a further Review of the management arrangements and issues concerning the rural and undeveloped land estates held by Scottish Ministers” and went on to say that “Further consideration should be given to the issues arising from the management of the government’s rural estate – covering the 53 Highland estates, the Lowland Estate, the agricultural research estate, Crofters Commission farms and Forestry Commission Scotland’s holdings.”

6. At the same time, the SEARS Programme Board had identified a need to consider how the lands occupied by its partners across the Environment portfolio could best be managed. These SEARS organisations include all those identified in the Asset Management Review as part of the recommendation. There are other organisations involved in SEARS, but they do not have land assets.

7. As a result it was decided to combine the two areas of work (Recommendation from the Asset Management Review; and SEARS project) into a single project under the same working group and take them forward together.

Aims of the Review

8. The main aims of the review are as follows:

- To clarify what the Scottish Government land estate as managed by organisations within the Environment portfolio, consists of and who has control of and an influence over the use of those assets;
- To make recommendations on potential management improvements, possibilities for increased collaboration; and inform future policy direction for this part of the Government estate including the delivery of public benefits in the broadest sense.

Scope of the Review

9. In the context of this report, references to “land” means rural land used for agriculture, forestry, crofting or maintained for heritage purposes in a natural or semi-natural state. The scope of the Review is the Scottish Government Rural Land Assets – that is the rural land owned or occupied in the name of Scottish Ministers or in the name of an individual public body. This necessarily includes those of non-departmental public bodies (NDPBs), agencies and other associated bodies.

Inclusions

- **SG Rural Payments & Inspections Directorate (RPID):** Lowland and Highland Estate;
- **SASA:** (a Division of Rural Payments & Inspections Directorate) Gogarbank farm;
- **Scottish Natural Heritage (SNH):** mainly heritage assets including National Nature Reserves;
- **Forestry Commission Scotland (FCS):** Woodland and Open Land;
- **Crofters Commission:** Knocknagael and Balrobert farms
- **SG Rural Environment Research & Analysis Directorate (RERAD):** Royal Botanic Gardens and Research Organisations.

10. Due to the wide and diverse range of land held by Scottish Ministers, it was necessary to specifically exclude some from the review.

Exclusions

- **Non-office buildings:** laboratories, hothouses, science buildings, botanic stores etc;
- **Assets covered in the Asset Management Review:** bodies which have land assets but where these land assets are closely associated with a building and which are covered by the Asset Management Review;
- **Scottish Water:** whose assets and the management of these assets are heavily regulated and which has special legal status. This exclusion is in line with the Asset Management Review;
- **Historic Scotland:** its land assets apart from those associated with buildings, include Holyrood Park - an urban asset as opposed to a rural land asset;
- **Scottish Prisons Service:** specialised buildings and associated land occupied by them;
- **Caledonian Maritime Assets:** e.g. termini, ramps, jetties and surrounding land;
- **British Waterways:** canals, locks, keepers houses and land associated with the canalside estate;
- **Highlands & Islands Airport Ltd:** airports and associated land;
- **Bodies which have no land assets.**

11. This Review has concluded that the way we manage, use and resource our land assets has implications across other areas of policy development including:

- the increasingly tight fiscal policy and the need to maximise efficiencies;
- the need to comply with the practices of Scottish Public Finance Manual;
- Community ownership of assets;
- The constraints from Crofting legislation and how the disposal of assets are dealt with;
- The sharing of property information and best estates practice;
- Support of Scottish Ministers' Rural Housing Policies.

Approach and Evidence Base

12. A working group was brought together under the chairmanship of Andy Robb, the Director of Rural Payments & Inspections Directorate (RPID), to undertake an asset management review of rural land of the Scottish Government. This team consisted of representatives from each of the organisations (listed in Annex A) whose land was part of this review. The Chief Property Adviser was also part of the team to provide professional advice and guidance. The aim of the working group was to collect a range of both quantitative and qualitative data on the rural land assets held as well as a range of information on how the land was managed; and to make recommendations for future management.

13. The Working Group met on 4 occasions between late August and early December 2008 to agree the process which they would follow in providing the required information; and consider the detail of the report including the issues and recommendations.

14. It was agreed that information would be provided by each organisation in the format which best suited the organisation based on existing databases. This meant that not all information was available in the same format.

Current Uses of Land

15. Land is currently used for agriculture, crofting, forestry, heritage or research purposes.

Objectives in Owning Land

16. It was recognised that each organisation had different business objectives for owning and managing land and that these needed to be clearly identified. The objectives for each organisation are as follows:

- **SG RERAD:** The land which constitutes the Royal Botanic Garden Edinburgh is owned to serve as a world-renowned centre for plant science and education and as amenity to the public. The land, principally farms, owned and leased to the Scottish Agricultural College and to 3 Research Institutes serves to assist in the programmes of research commissioned from the bodies by Scottish Ministers.
- **SG RPID:**
 - **Scottish Ministers' Crofting Estates** maintain viable crofting communities in remote rural areas.
 - **Scottish Ministers' Lowland Estates** have largely been disposed of. Residual properties cannot easily be sold due to specific physical problems e.g. coastal erosion.
- **SG SASA:** The Farm estate is required to meet government responsibilities in performing statutory and regulatory work in relation to national, European Union and other international legislation and agreements on plant health, bee health, variety registration and crop improvement, genetic resources, regulation of

genetically-modified organisms and the protection of crops, food and the environment.

- **Crofters Commission:** The Commission manages two farms near Inverness on land owned by Scottish Ministers. The farms provide a base for a stud operation providing bulls for hire to crofting groups. Current Ministerial intention is to close the scheme during 2009 following which management and/or disposal of the land will revert to the Scottish Government.
- **SNH** own and manage land as National Nature Reserves (NNR) (98% of SNH's land is NNR). Scotland's National Nature Reserves are special places for nature. There are criteria to ensure NNRs are selected to showcase some of the best examples of Scotland's nature and can be managed to provide people with special opportunities to appreciate and enjoy Scotland's rich natural heritage too.

FCS has a range of objectives relating to the national forest estate:

- Improve the health and wellbeing of people and communities through delivering forestry for people, urban regeneration and community development benefits;
- Promote competitive and innovative businesses contributing to the growth of the Scottish economy through production of timber and other forest products, and encouragement of local economic and skills development;
- Maintain a high quality, robust and adaptable environment through the practice of sustainable forestry and land management; maintenance of designated sites in favourable condition; and active management for priority species and habitats;
- Maintain an efficient and effective organisation, ensuring that the national forest estate is fitted for delivery of Scottish Government priorities and serves as an exemplar of best practice.

Key Findings & Facts

Key Facts about the SG Land Estate

17. A map showing the distribution of land assets is attached at Annex C and a summary of key data is shown at Annex B. Key facts are as follows:

- **Size:** a total of 812,731 hectares of rural land is owned and managed by the organisations involved in the production of this report
- **Owned/leased:** virtually all of the land is owned. 98% of the land held by SNH is declared National Nature Reserve
- **Location:** the land can be found across the whole country but is principally in the more remote rural locations
- **Use:** the land is held for a variety of uses such as crofting, woodland, research and education and natural heritage. Some of the land is not owned/managed solely for economic purposes but also for social (access and recreation) and environmental purposes (public benefit).

Identified Area of Land

18. An 'identified area of land' for the purposes of information gathering in this report is land that sits as a single entity and is separately managed. A broad brush approach has been necessary, especially for the larger areas such as National Nature Reserves, the National Forest Estate and the Crofting Estate. Other smaller areas are identified separately.

National Asset Register

19. The National Asset Register is an asset register compiled and published by HM Treasury in 1997, 2001 and 2007 recording the assets of central government departments, executive agencies [including trading funds], NDPBs, NHS bodies, public corporations and nationalised industries.

20. Details of land assets are included on the National Asset Register. The 3 NARs can be found at: www.hm-treasury.gov.uk. In NAR 2007 material on Scotland is found mainly in Chapter 15 page 755ff.

21. Assets are recorded at Net Book Value and in 2007 are recorded individually only if the asset exceeds £1m. In 1997 and 2001 assets over £1,000 were recorded so a fuller list of assets can be found in them. Assets include IT, software licences, plant and machinery, ships, vehicles etc.

22. The data on the NAR is useful as an accounting mechanism, but is not designed to be a day to day management tool. Inevitably with revaluations undertaken approximately quinquennially, the values lag the market. This convention is accepted for accounting to Parliament and the public for the stewardship of the assets, but is less helpful to operational estate managers.

Tenure Arrangements

23. Scottish Government bodies try to hold their assets under the tenure which best suits their operational needs so the portfolio includes ownership, leases, sub-leases, licences, wayleaves, servitudes and heritage agreements.

24. Of those areas of land which are owned, virtually all of it is held in the name of Scottish Ministers or Ministers of the Crown.

Management Arrangements

25. Scottish Ministers' rural land organisations have to achieve complex multiple management objectives. While they have to maintain the value of the assets, minimise running costs and achieve the highest economic efficiency of which they are capable, the rural land organisations have other vital objectives such as SNH's preservation of our ecological heritage; SASA's statutory obligations to maintain crop health standards; and the Crofters Commission's duty to support the social and economic fabric of the crofting communities. Financial efficiency has to be achieved within these complex long-term management objectives. While none of the rural land organisations are opposed to rural land development, it is not the primary objective of any of the organisations. The Scottish Government rural land organisations have access to advice on property development, and commercial land issues through the Scottish Government's Property Advice Division (PAD), if they require it. The final management decision on property development matters lies with the individual organisation and the Cabinet Secretary for the Environment.

26. PAD provides free, impartial professional advice which is available to individual organisations. The Scottish Public Finance Manual requires PAD to be consulted at an early stage in disposals and acquisitions of land. This is normally interpreted by the rural organisations as disposals of rural land with development potential, or unusual or potentially contentious acquisitions of rural land. Use of PAD varies between organisations because some have existing expertise in-house; others are not aware that Property Advice Division exists; and others cannot identify when it might be appropriate to seek PAD advice. PAD also advise on the appointment of consultants for valuation, appraisal, estate agency, planning advice, development and related property matters. PAD advises Finance Directorate on the 'Scottish Public Finance Manual' guidelines on the acquisition and disposal of property; maintains the trawl process; and runs the Scottish Government's public sector surplus land website. They have a very good overview of what is going on through the wider SG family of organisations and in the wider market.

27. Land asset management and decision making arrangements vary across the organisations and depend on the use to which the land is put. SNH manage heritage land for the nation for a specialist purpose and not financial gain. SASA senior Management, through a dedicated farm manager, manage crop rotation to optimise land use for statutory and regulatory purposes. FCS has an Executive Agency (Forest Enterprise Scotland – FES) which manages the national forest estate to deliver an agreed set of outputs and outcomes, which are defined in a

Framework Document. FES employs a range of professional staff (e.g. forest managers, land agents and finance managers) and utilises contractors for a wide range of activities, including specialist advice (e.g. market rate for windfarm leases). The FCS and core Scottish Government have primary remits to manage land. The others manage their land asset as secondary to their main business objectives which would explain a lack of active management on their part to identify high development value land.

28. FCS do not have an asset management register approach for managing land, but, the scale and location of the land holding is regularly reviewed, for example, in these documents:

- “The Review of Land Managed by the Forestry Commission Scotland” carried out in 2004;
- The Portfolio Analysis carried out in 2007 to support the Framework Strategic Plan for the future management of the national forest (currently in the final stages of completion following an extensive public consultation process);
- The current review of options for the national forest estate (including long-term leasing) as part of the consultation process for the draft Climate Change Bill

29. FCS ensure that key development opportunities are regularly reviewed by external consultants e.g. wind power (Atkins), telecommunication sites (Strutt & Parker), minerals (Johnston, Poole and Bloomer), housing development (Halcrow, Bidwells) and hydro power (a range of specialists). The Estates team within FCS is also being restructured to provide a more focused approach on these development opportunities and land asset management in general.

30. SNH is currently reviewing its heritage assets land which will identify if there is surplus land for disposal. It does not routinely review its land holdings because conservation is a long term commitment and it rarely buys and sells land.

31. The degree of autonomy of the wider network of government bodies over their land asset is a potentially sensitive relationship. Some organisations may consider that their framework agreement delegates responsibility to them, thus distancing any involvement by ‘the centre’ to influence operational management decisions. But, all asset costs, capital and revenue are ultimately paid for from the SG budget and could be legitimately regarded as the assets of the whole organisation administered through delegation of day to day operational responsibility to the organisation concerned. A more corporate approach to managing these assets could have potential benefits to individual holding bodies and the core Scottish Government. SNH, FCS and RPID all manage crofting land on behalf of Scottish Ministers of which RPID has by far the largest area.

32. It is a requirement of the SPFM that when organisations are making a decision on capital expenditure, or longer term running cost expenditure that several options are examined and analysed in an economic appraisal to “Green Book” standards. This identifies the most economic option. Thereafter, financial appraisals address affordability issues. A “Green Book” appraisal produces a new present

value/cost and a qualitative score from a weighting and scoring exercise for each option which enable an informed decision to be made on the best option.

Recommendation 1: to ensure that all parts of Scottish Government have a discrete land asset management plan as part of their business plan and objectives which puts a clear management strategy and plan in place.

Recommendation 2: all the organisations should make their land Asset Management Plans available to others

Recommendation 3: to increase awareness of the fact that Property Advice Division (PAD) can provide advice on acquisition and disposals

Land Management Information Systems

33. Good quality land asset information underpins efficient and effective practice. Part of this Review considered the existence, extent and quality of the management information available and the systems used to collect that information.

34. No additional valuation work was carried out as part of this exercise. Information about valuation of land was available for some land and is recorded as valuation for current use or development/market value. National Nature Reserves are not valued as they are held in trust for the nation. FCS valuations are carried out proportionately across the estate. Value, date of valuation and basis of valuation in terms of whether it is existing use (for the majority of the estate) or market value information (for areas identified for disposal) was acknowledged where available. FCS annually review the value of the national forest estate, based on current market values – as currently advised by Bidwells and Cleggs. Every five years, a sample survey is carried out by independent professional valuers to re-validate the total value of the asset.

35. In the Asset Management Review 2008, Mr Swinney decided that e-PIMS should be used not just for the SG Core Estate but the wider urban estate including NHS Special Health Board offices, rural organisations offices, but not NHS clinical properties or rural land. e-PIMS is designed as a management tool to enable the more efficient management of the Government Civil Estate which comprises mainly offices.

36. Land as well as buildings can be recorded on e-PIMS, but adoption of the system is not universal. Land records on e-PIMS are:

- Associated with a Property Record i.e. there are associated buildings, leases or tenants along with the land; or
- Freestanding within the land system i.e. there is no relationship to a property record. These sites are usually recorded through the Ordnance Survey grid reference of the mid-point.

37. A small number of the rural land organisations hold their land information on e-PIMS, but this is by no means universal. To use e-PIMS, an organisation must

have a trained and authorised person to read the site. Additionally, it needs to have someone fully trained and authorised if it wishes to change data. A responsible senior official also has to sign off that the quality of the data meets the required standard. For smaller organisations lacking staff resources, SG Property Advice Division could enter data for them.

38. For the urban estate, recording of office properties is mandatory for all the SG family of organisations and is done directly by the organisation itself (if it has an authorised e-PIMS operator) or Property Advice Division. Rural land, and undeveloped land can be recorded on e-PIMS usually through using the map reference of the centre point of the site. But, most rural land managers do not consider that e-PIMS offers them any land management advantages over their existing systems, and so, with the exception of SNH and SASA, they do not use it for their rural land. To do so would mean that these organisations would be maintaining two data bases for no obvious gain.

39. The working group concluded that the use of e-PIMS for rural and undeveloped land was a matter for the individual bodies concerned and accepted that most would not find e-PIMS a helpful tool for managing that type of asset. This decision could be revisited if circumstances change.

40. Based on the information which could be provided by the organisations' representatives on the Rural Land Asset Working Group, they all have reasonable good quality management information available to them. As part of the exercise, they were all able to provide the agreed data in a format most suited to their organisation. It was agreed not to have a single central database of rural land.

41. One way of recording all occupied rural land was by map. FCS already had their own land as well as that of RPID and SNH mapped. This represents all the land held and has proved to be an acceptable method of recording land assets. It was agreed that a map would be the central record for all land occupied by all the organisations. For more detail, the individual organisations would need to be consulted.

Recommendation 4: to ensure all land owned or occupied is recorded by each organisation and the map used as the central reference and updated annually

Surplus/Underused/Development Value of Land Property and Disposal Policy

42. Except for FCS, little systematic attention is paid to considering whether land is becoming surplus, or offers opportunities for development in a more valuable use. The 'Scottish Public Finance Manual' requires that once land is identified as surplus, it is trawled amongst other Scottish Ministers as soon as possible. If they do not require it, then it should be put on the open market as soon as possible.

43. There is no prescribed mechanism for making bodies periodically examine their estate in the light of their Business Plan and deciding whether or not it is fit for purpose. Rigorously pursued, an examination of the estate in the light of the Business Plan would highlight land that is no longer fit for purpose, or no longer

needed, or had become disproportionately valuable in another use. This could lead to it being declared surplus, programmed for disposal and the accrual of a capital receipt.

44. Within FCS, the recent portfolio analysis has identified potential candidates for a “re-positioning” programme, approved by the Minister, to enable assets, which make a minimal contribution to the overall objectives, to be sold. Funds are recycled to purchase new land for planting which will better meet the overall objectives for the national forest estate. Known development opportunities are progressed where appropriate utilising in-house staff and consultants. It is planned that wider development opportunities are pursued more proactively utilising the restructured Estates team and the recently formed Renewable Energy Business Unit, supported by specialist contractors. Smaller scale opportunities are also sought (e.g. housing site) by local management teams as part of their income generation strategy for submission of Business Plans.

45. The Scottish Government sees the Asset Management Strategy as an important product of the Business Plan. It focuses the mind of the organisation on the question of whether its property holdings are best configured to deliver its overall business objectives. From the Asset Management Plan flows the need to acquire new property that is more fit for purpose, and the disposal of other property that is surplus, or has become more valuable in another use. Receipts generated may be used to reinvest in the business, Finance Directorate permitting.

46. Scottish Government asset managers work within the Scottish Planning System which is Scotland’s mechanism for delivering wider social policies on affordable housing, infrastructure, health and education infrastructure, environmental considerations, transport etc. Asset managers should regularly check Local Development Plans so that they can understand the land use aspirations of the local authority. This needs to be done regularly as plans are written on a 10-year cycle with a 5-yearly review. Given that the system is “plan-led” and the assumption is that land use not within the plan will be refused planning consent, it is important that asset managers are proactive in bringing potentially surplus land to the attention of the local authority planners in good time to bring it within the local planning process.

47. When bodies dispose of land they do so on the basis of ‘market value’, and that already reflects any contribution for affordable housing demanded by the local planners. The contribution for this and other infrastructure is usually encapsulated in a Section 75 Planning Agreement and the ‘market value’ is reduced as a result of this. The receipts can then be distributed by Scottish Ministers to meet their various policy priorities, or alternatively remitted back to the asset holding body for reinvestment in the core business of the organisation.

48. The FCS have a policy in place within their Land Asset Management strategy to sell land for affordable housing. The National Forest Land Scheme (NFLS) covers the arrangements for community acquisition; land for woodland crofts; sponsored sale of surplus land; and land for affordable housing. Since November 2003, FCS has worked with Communities Scotland (abolished in April 2008 when most functions transferred to the Scottish Government’s Housing and Regeneration Directorate), to make land available for affordable housing in rural areas, where there are

recognised shortages. Land for Affordable Housing allows Registered Social Landlords and other appropriate housing bodies (endorsed by the Scottish Housing Regulator) a preferential opportunity to purchase land at market value assessed by the Valuation Office, subject to restriction on use for social housing. RPID also have a very similar policy in place (since 2005) where land is identified as possible for affordable housing. For areas which are identified as suitable for affordable housing, RPID co-operates with local planners to identify land that might be zoned for housing and ensures that the land sold is on the basis of development being restricted to affordable housing with the sale price assessed by the District Valuer.

Incentives/Disincentives for Land Disposal

49. Identifying land as surplus, triggers a potentially time consuming and expensive process where the costs often fall up front and impose burdens on staff/divisions/directorates who never receive any of the benefits of disposal. It is more difficult to identify land that is underused and not yet identified as surplus.

50. There are a range of incentives and disincentives to actively manage land disposal. Receipts from sales, or reducing running costs are the normal incentives to dispose of surplus property. This does not always work where receipts or savings are not retained by the organisation, Directorate or Division that holds the land. Receipts are not retained by individual parts of SG like SASA, Highland and Lowland Estates or Agricultural Research Estates. These go into the main SG consolidated fund – annual budgets and a lack of end year flexibility is a constraint. The Forestry Commission are able to retain their receipts. Making a disposal is usually costly with substantial upfront fees for valuation consultants, legal costs, planning advice and estate agency. While Finance Directorate may allow these to be set off against receipts, the disposing organisation often has difficulties because there is no budgetary provision for these costs upfront and if the transaction falls through then these costs are entirely abortive. This is a disincentive.

51. The FCS is a net funded body and, as such, the incentive exists to sell some land to acquire new areas of land. Additionally, FCS has to diversify their income base for times when timber prices fall to maintain progress on delivery of social and environmental programmes. For RPID the incentives for disposal are legislation, SG policy and the reduction in management costs accruing from disposals.

52. Even where receipts can be retained they do not always arise at a time when they can be spent to useful effect. Even if they can be spent to beneficial effect, there may need to be long term running cost resources to run and maintain any resulting new investment.

53. Although the SPFM requires the prompt disposal of surplus assets, there are disincentives to identifying underused, but not absolutely surplus properties for disposal. These disincentives include:

- **Staff time:** the disposal process can be prodigal in its consumption of valuable staff time, particularly through the planning process;

- **Lack of relevant knowledge/skills:** except for organisations (e.g. SNH and FCS) big enough to justify specialist staff, the disposal process often falls on staff who are not trained in property and whose skills, motivations and responsibilities lie elsewhere – agriculture, conservation, administration etc. FCS has sufficient scale to justify the employment of specialist staff to manage disposal programmes, carry out valuations and supervise selling agents;
- **Cost:** consultants often need to be engaged with substantial fees payable up front, and at risk (the sale may not be concluded), when there is no budgetary provision for fees. Such fees include planning consultants, valuers, legal and estate agency fees;
- **Timescale:** the timescales of asset management do not sit comfortably with the operational cycles of some businesses, where the local planning system operates on a 10 year plan with a 5 year review, and a planning application can take 5-8 months to process or more if contentious;
- **Conflict** with other objectives. Proposals for development are often met with vigorous objections by neighbours and other special interest groups who seek to prevent what are seen by them as unwelcome developments and refer to other social and environmental objectives in support of their objectives.

54. Identifying land as surplus, triggers a potentially time consuming and expensive process where the costs often fall up front and impose burdens on staff/division/directorates who never receive any of the benefits of disposal. It is more difficult to identify land that is underused and not yet identified as surplus.

Recommendation 5: all organisations should be included in any major procurement exercises run for assessing development potential such as wind energy to achieve continuous improvement in the performance of the land assets (excludes SNH heritage assets)

Financial Challenge/Scrutiny Role

55. Adherence to the Scottish Public Finance Manual (SPFM) principles for financial planning was investigated for each organisation. It was concluded that all organisations broadly adhered to the SPFM although the FCS *National Forest Land Scheme* provides for the sale of land for affordable housing at market value but subject to restrictions on use. The SPFM makes consultation of a Property Advice Division mandatory for both acquisitions and disposals of land whether by purchase or lease. This has been the case for a long time, but organisations occasionally omit to do so or do so too late in the process.

56. The SPFM is a Scottish descendent of Treasury Financial Guidelines. Its principles provide no problems for the FCS as a UK organisation, and a Scottish operation answerable to Scottish Ministers. There are differences of detail between English and Scottish systems principally in the much brisker “trawl” mechanism with its independent determination of value rather than the lengthier English negotiated approach. The aim is the same, namely when a Scottish Minister has finished with an asset, they notify other Scottish Ministers in case they have an interest in

acquiring it before it is marketed at www.scottish-property.gov.uk. If they do, then Scottish Ministers are a single legal entity and the consequence is a simple administrative transfer and an adjustment to budgets based on the market value as determined by an independent valuer. This is a free service provided by SG to help reduce advertising costs, expenditure on estate agents fees, reach a wider market at all times and further the e-Government agenda. Virtually all local authorities, Scottish Water, the NHS and MoD use it. Historically, the FCS has not used the Scottish Government's public sector property website for advertising surplus property for sale, or vacant property to let but, is now beginning to use it and is also exploring potential amendments to the system to enable it to refer more specifically to rural property.

57. Under the *National Forest Land Scheme* only the Scottish Housing Minister was informed of the surplus land although notification through the trawl mechanism has now been put in place. The land is disposed of on the basis of a valuation for low cost housing and subject to a use restriction to social housing. There is no provision in the SPFM for Scottish Ministers to deliberately diminish the value of an asset in this way, although there are analogies. Where an agricultural worker in a tied cottage was employed by Scottish Ministers, they can, in some instances, offer the dwelling on right to buy terms. But, it is not clear whether Ministers can diminish value in this way for policy reasons. Normally, disposals at less than market value (unrestricted) have to be reported to Parliament as a gift. The SPFM is framed in terms of "market value" and does not normally discriminate between restricted and unrestricted market value.

58. Scottish Government's central sponsor and finance teams for the wider network of bodies agree annual budgets for each organisation, but do not typically take issue with particular expenses. Individual bodies may or may not seek advice from PAD on, for example, the reasonable parameters for on-going or new land costs. It is not currently seen as the explicit remit of any central function within Scottish Government to scrutinise or challenge such costs. Public bodies do not see that declaring un-used land as being part of a requirement.

Recommendation 6: All organisations should continue to ensure that the mandatory procedures in place, within the SPFM for disposals of surplus or vacant property, and for acquisitions are known and adhered to.

Capital Investments

59. Where public bodies undertaking significant expenditure, including seeking to invest in new land, the SPFM requires that this should be subject to 'Green Book' economic appraisal. This offers Ministers a range of options each with a Net Present Value, to facilitate a consistent comparison of the costs and benefits that accrue over the lifetime of the asset. The economic appraisal of options should capture both the full economic costs and benefits over the whole life of the project through methods such as weighting and scoring; the potential qualitative social costs and benefits; and benefits which are impossible to quantify financially but are nevertheless real.

Performance Monitoring/Benchmarking Activities

60. Benchmarking is difficult and demands a big investment of time and money even in a fairly uniform estate of urban offices. It is very difficult to achieve for heterogeneous rural land across organisations with such divergent business objectives. It is acknowledged that little or no performance management benchmarks exercises are undertaken to make comparisons between acquisitions and sales of land.

61. In 2007 FCS carried out a portfolio analysis for all forests within the national forest estate scoring against a set of economic and non-market benefits. Plotted on a chart this provided an indication of those land assets at the low economic and non-market section on the scale. These land assets are now being finally assessed (e.g. taking account of potential development value) before being marketed as part of the “repositioning” programme.

62. In the private sector, there is no standard approach to assessing a diverse portfolio of rural land management assets. Most companies regularly review their objectives and whether the land assets held match these. Many companies operate a fairly active approach to selling and buying land, while some highly respected organisations have been seen to be more wary of selling land to meet short-term needs. It is recognised that it is often easier to take decisions in the private sector to buy and sell assets to meet business needs. There is often less (or no) need for internal consultation and rarely a need for public consultation before sale or purchase. Some companies regularly review their land management objectives and might sell to buy. An important consideration is the long term strategic view versus short term reactions. The main consideration for public organisations is the need to be clear about objectives and then review land assets accordingly.

Use of Land for Allotments

63. As part of this review the working group were aware of the announcement by Richard Lochhead, Cabinet Secretary for the Environment where he had asked a number of public bodies to consider how the land they manage for the Scottish Government could be made available to local authorities to increase the number of allotments in Scotland. It was recognised that generally such land would require to be close to centres of population. Crofting Estates and unplanted forestry land were considered the most likely to be available but, because they were in more remote rural locations were unlikely to be suited for this purpose. Despite this, it was concluded that all areas of surplus land should be considered by policy colleagues for its viability for use as allotments when it became available.

Recommendation 7: any land which becomes available for disposal should be considered as a possibility for allotments

Use of Land for New Entrants to Farming

64. As part of this review the working group were aware of the ongoing policy considerations about the possible need to identify land for new entrants to farming. It was recognised that such land would need to be a reasonable size (not a small plot) and capable of delivering an income to the new entrant. The areas of land which were part of this review and which were considered most likely to be available, were crofting and unplanted forestry land. Crofting land is already subject to tenancy arrangements and unplanted forestry would be poor, unequipped hill land mainly suitable for sheep farming. It was recognised that holdings on this type of land were unlikely to be viable but, it was concluded that all areas of surplus land should be considered in the first instance by policy colleagues for its suitability for new entrants.

Recommendation 8: any land which becomes available for disposal should be considered as a possibility for new entrants to farming

Cross Organisation Land Management

65. A project has been set up under the SEARS Programme Board to look at land management where FCS and SNH are tasked with establishing a governance process for implementation, monitoring progress and reporting back to the Board. A group has been set up between SNH and FCS to build on existing best practice and identify opportunities for further changes in delivery of land management – both from locational and thematic (e.g. deer management) perspectives. The group continues to look for new ways in which SNH and FCS can work together on each other's land to make management more effective and/or efficient. Existing initiatives include local arrangements for sharing responsibility for deer management on properties in SNH's East Highland Area.

66. It has been recognised that RPID, FCS and SNH all have crofting estate within their land assets and, as such, have to manage these. The crofting estate held and managed by RPID is by far the largest. Consequently, it would make sense to combine the management under one body. This was recommended in a paper prepared for the SEARS Board in 2007 entitled “Future Options for Factoring the Scottish Government’s Crofting Estate” and should now be actioned.

Recommendation 9: to bring together under RPID’s management the crofting estates currently under RPID, FCS and SNH management as recommended in “Future Options for Factoring the Scottish Government’s Crofting Estate” – a report prepared for the SEARS Programme Board in 2007

Conclusion

67. Assets of rural land are already well managed. A total of nine recommendations have been identified to ensure that this good management practice continues.

Recommendation

68. Subject to the nine recommendations being accepted, the Project should continue to be taken forward under the chairmanship of Andy Robb, Director of RPID, with the ongoing assistance and co-operation of the organisations involved and their personnel appropriate to each individual recommendation (Annex D).

List of Recommendations

Recommendation 1: to ensure that all parts of Scottish Government have a discrete land asset management plan as part of their business plan and objectives which puts a clear management strategy and plan in place

Justification: By having an explicit rural land asset management plan included in the overall Business Plan, Ministers can be confident that property holders are regularly considering how to maximise the best possible use of their land assets.

All parts of Scottish Government should ensure that rural land assets are included as part of an asset management plan which ties all the rural land assets into current and anticipated future use of that organisation's objectives and remit as well as those of the wider Scottish Government. The plans should be proportionate to the size, extent and value of the estate owned leased or managed by each organisation.

Action Plan: All parts of SG with rural land assets should ensure that their Business Plans include rural land asset management; and clearly state the business objectives in occupying the land (for inclusion in the 2009/10, if possible, and subsequent business plans) and all land assets should be reviewed regularly. The Plan should include the need to have a rural land asset register which is kept up to date. A template for the Plan can be found at Annex E.

Recommendation 2: all the organisations should make their land Asset Management Plans available to others

Justification: each organisation will be made aware of what others would like to acquire or what they have to dispose of. This will encourage pooling of knowledge, expertise and sharing of best practice.

Action: all organisations will place details of their land asset management on a common password protected website so as to make the information available to all.

Recommendation 3: to increase awareness of the fact that Property Advice Division (PAD) can provide advice on acquisition and disposals

Justification: Rural Land organisations have a range of management objectives to achieve in addition to maintaining the value of the assets. Rural land development is not their primary objective and economic development might be subordinate to their other objectives. Property Advice Division with its specialist skills can provide assistance where required.

Action Plan: draw up details of PAD's role and the advice and assistance they can provide and ensure that it is provided to all organisations and passed on to appropriate staff within each organisation

Recommendation 4: to ensure all land owned or occupied is recorded by each organisation and the map used as the central reference and updated annually

Justification: each part of Scottish Government should continue to maintain a database in their own format as a record of all land which is owned or occupied by them. This information should be updated annually as a minimum. Additionally, this should be underpinned by a high level record and quality map of the occupied land. This provides instant quick information about all rural land assets.

Action: FCS would maintain a map to record all land holdings and would invite updates on an annual basis at the change of the financial year. Each organisation would ensure that any updated information about land changes in excess of 5 hectares was passed to FCS to update the map. (Current map at Annex C)

Recommendation 5: all organisations should be included in any major procurement exercises run for assessing development potential such as wind energy to achieve continuous improvement in the performance of the land assets (excludes SNH heritage assets)

Justification: It was identified that disposing of property could be a disincentive for some staff teams because it was not part of their everyday job to spot such opportunities and they might not have such expertise. But, there is potential benefit to be gained at no extra cost from all organisations being involved in any single procurement exercise being run by one of them.

Action: Any organisation which runs a major procurement exercise to award a contract for investigating development opportunities on the land that it manages, must first check with the other organisations which other land should be included

Recommendation 6: All organisations should continue to ensure that the mandatory procedures in place, within the SPFM for disposals of surplus or vacant property, and for acquisitions are known and adhered to.

Justification: The principles set out in the Scottish Public Finance Manual should be promoted across all the organisations to ensure their consistent and continued use. This will ensure that when Scottish Ministers and auditors examine proposals for property investment and disposal, the recommendations have been through a rigorous procedure.

Action Plan:

All organisations will ensure that they continue to use the SPFM procedures.

Recommendation 7: any land which becomes available for disposal should be considered as a possibility for allotments

Justification: this is in line with current Government policy to facilitate the availability of allotments for the people of Scotland.

Action: all organisations will ensure that SG policy colleagues dealing with allotments are aware of any surplus land which has become available, to provide them with the opportunity to give further consideration to its suitability for allotments.

Recommendation 8: any land which becomes available for disposal should be considered as a possibility for new entrants to farming

Justification: this is in line with current Scottish Government policy to promote, encourage and facilitate new entrants to farming.

Action: all organisations will ensure that SG policy colleagues with responsibility for new entrants to farming are aware of any surplus land which has become available to provide them with the opportunity to give further consideration to its suitability for new entrants to farming.

Recommendation 9: to bring together under RPID management the crofting estates currently under RPID, FCS and SNH management as recommended in “Future Options for Factoring the Scottish Government’s Crofting Estate” – a report prepared for the SEARS Programme Board in 2007

Justification: bringing the management of the crofting estates together under RPID as recommended to the SEARS Programme Board provides a mechanism for the proposals to be taken forward.

Action: RPID will initially take on the management of the FCS and SNH crofting estates (utilising the Estate Management Unit in RPID, PH). Further consideration will be given to the options for the optimum location of the unit to deal with estate management, factoring and development duties as recommended in the original report.

Annex A

Membership of the Working Group

Andy Robb (Chair)	SG Rural Payments & Inspections Directorate (RPID)
Anthony Andrew	SG Property Advice Division – A Division of Facilities and Estate Services
Martin Johnston	SG RPID: Agricultural Services Division – A Division of RPID
Gordon Machray	SG RPID: SASA – A Division of RPID
Jill Matthews	Scottish Natural Heritage (SNH)
Gordon MacDonald	Crofters Commission
Ken Steven	SG Rural Environment Research & Analysis Directorate (RERAD)
Charlie Taylor	Forestry Commission Scotland (FCS)
Evelyn Alexander (Project Manager)	SG RPID

Summary Table of Key Data (by organisation)

Occupier	Number of Properties	Area	Tenure
Research Organisations	9	3,993 ha	Owned
Royal Botanic Gardens*	4	113 ha	Owned
FCS – Woodland	Multiple	463,000 ha	Virtually all owned
FCS – Open Land	Multiple	205,000 ha	Virtually all owned
SNH	49	35,600 ha	Owned and Managed
Crofters Commission	1 (2 farms at Knock na Gael)	271ha	Owned
SASA	1	134 ha	Owned
RPID Lowland	4	120 ha	Owned
RPID Highland	43	104,500 ha	Owned
Total		812,731 ha	

* Benmore, Dawyck, Logan and Royal Botanic Gardens (+ nursery)

Map 1 – Scottish Government Rural Land Assets

Action Plan for Recommendations

	Recommendation	Action Required	Action by	Target date
1	To ensure that all parts of Scottish Government have discrete land asset management in their business plan and objectives with a clear management strategy and plan in place.	Ensure that the annual Business Plan reflects rural land asset management and objectives in occupying land	All organisations in the working group	2009/10 Business Plan where possible. Otherwise 2010/11.
2	Each organisation makes their land asset management plan available to others	Place a copy of the rural land asset management plan on a common password protected website	PAD	2009/10 onwards
3	Increase awareness of the fact that Property Advice Division can provide advice on acquisition and disposals	Draw up a guidance document outlining PAD's role for distribution to all	PAD	End March 09
4	To ensure all land occupied is recorded and the record updated annually.	Update a centrally held map annually with any changes to owned land	FCS	End March 2009 then annually
5	All organisations should be included in any major procurement exercise run for assessing development potential such as wind energy to achieve continuous improvement in the performance of the land assets (excludes SNH heritage assets)	inform all organisations of any procurement exercises being carried out	All but in practice will be principally FCS	March 2009
6	All organisations should continue to ensure that the mandatory procedures in place, within the SPFM for disposals of surplus or vacant property, and for acquisitions are known and adhered to.	Ensure that the SPFM procedures are followed	All organisations involved in the working group	At all times with immediate effect
7	Any land which becomes available for disposal	Policy colleagues for allotments	Allotments Policy Team	March 2009

	should be considered as a possibility for allotments	should consider surplus land in the first instance		
8	Any land which becomes available for disposal should be considered as a possibility for new entrants	Policy colleagues for new entrants to farming should consider surplus land in the first instance	New Entrants Policy Team	March 2009
9	To bring together under RPID management the crofting estates currently under RPID, FCS management as recommended in "Future Options for Factoring the Scottish Government's Crofting Estate" – a report prepared for the SEARS Programme Board in 2007	Amalgamate the management of RPID, FCS and SNH crofting areas	RPID in conjunction with FCS and SNH	End Dec 09

Template for Rural Land Asset Management Plans

Purpose: A statement of the business aims and objectives and how they help to deliver the government's strategic objectives.

Land Assets: A description of the rural land assets and a link to the land asset register which records all the land assets owned, leased, managed or occupied.

Functionality: The function of each land asset i.e. what it is used for now and in the future

A statement setting out how the management of the land asset does and will provide benefits to the wider public and in accordance with Scottish Government policy.

Responsibilities/accountabilities: Detail of the organisational arrangements for rural land asset planning, decision making, implementation and risk management i.e. named individuals and who does what.

Finance: The links between financial planning and rural land asset planning. Details of budget provision made for known key events and the likely impact of planned changes. Some provision for possible unforeseen events.

Performance Monitoring: The performance management and monitoring arrangements including targets and benchmarking.

Future Development Programme: The programme of planned and intended rural land asset development including acquisitions, disposals and any sharing or maintenance where relevant.

Glossary of Terms

Term	Definition
Assets	Rights or other access to future economic benefits controlled by an entity as a result of past transactions or events.
Budget Holder	An individual formally authorised to commit and be responsible for expenditure on behalf of an organisation and the government in accordance with internal accounting rules and regulations and statutory requirements
'core' estate	Land/buildings which are managed directly by Facilities and Estates Services
ePIMS	The Office of Government Commerce's electronic Property Mapping Service is a database of Government's civil estate occupations. It displays the precise location and outline of departments' properties, holdings and occupations on computerised maps and is available over the Government Secure Internet.
Fixed Assets	assets with an expected life of more than 1 year held for use on a continuous basis e.g. land
'Green Book'	The central point for access to guidance on the economic assessment of spending and investment and to related guidance including the preparation of business cases for the public sector. The 'Green Book' methodology should be used to make an economic assessment of the social costs and benefits of all new policies and programmes including the economic assessment of regulations under regulatory impact analysis. As recommended by the 'Green Book' all spending proposals should be accompanied by a proportionate and well structured business case. It provides an overall methodology for economic assessment
Net Present Value	The discounted value of a stream of either future costs or benefits. The term Net Present Value is used to describe the difference between the present value of a stream of costs and a stream of benefits.
Scottish Public Finance Manual (SPFM)	A manual issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds