

# HM TREASURY and THE CROWN ESTATE: framework document

This document describes how the Treasury and The Crown Estate work together. It is intended to be reviewed annually and as practice changes.

1. The Crown Estate traces its origins back several hundred years and is conscious of its long term responsibilities for the assets under its management. It is a body established in perpetuity under the Crown Estate Act 1961 as a trust estate, independent of government and the Monarch with a public function to:
  - invest in and manage certain property assets belonging to the Monarch; and
  - remit its revenue surplus each year to the Consolidated Fund.
2. The Crown Estate has all the powers of an outright owner and uses its powers to actively manage its assets in a commercial and sustainable way in order to maintain and enhance their value and the financial return they deliver. It aims to be known as a professional operator in the market, a good landlord, a responsible employer and a reliable and respected counterparty in its decisions and its dealings.

## Governance and accountability

3. The Crown Estate observes the Nolan principles of public life, that is, it is committed to honesty, fairness, integrity, openness and transparency. Although it is not an instrument of government policy, it is a public body. As such, The Crown Estate follows the standards in *Managing Public Money*.
4. The Treasury is The Crown Estate's sponsor department. The Economic Secretary is its sponsoring minister who answers for its affairs in parliament when the need arises. The Crown Estate's usual working level contacts are the Treasury Officer of Accounts team.
5. The Crown Estate's Accounting Officer is its chief executive. She is bound by the requirements of chapter 3 of *Managing Public Money*, with personal responsibility for leading the organisation in an ethical manner, seeking good value for money and securing the quality and integrity of its business. Should a conflict arise between a decision of the board and her personal view of her duties as Accounting Officer, she should seek guidance from the Treasury Permanent Secretary.
6. The Treasury and the Scotland Office may exercise a statutory power of direction over The Crown Estate's business, acting with or without each other as circumstances demand. A direction may be given only within The Crown Estate's statutory duties. If a direction is under consideration, the Treasury (or the Scotland Office as the case may be) will discuss the matter with The Crown Estate to see whether a jointly agreed course can instead be reached informally. Such discussions may result in written understandings about how The Crown Estate will conduct its business.
7. In the nature of its business The Crown Estate also has dealings with a number of other Whitehall departments, as if it were an independent commercial organisation. However as a public body it always seeks to work with the grain of prevailing government policy. In a number of instances, framework documents are agreed with the departments or public bodies with which it has regular dealings in order to introduce clarity to the working relationships. Those framework documents must be compatible with this document which represents the primary written arrangement between The Crown Estate and any government department or public body.

## The board

8. The Crown Estate is led and directed by its Board of eight Board Members (also referred to as Crown Estate Commissioners). The Board is assisted by 'non voting cooptees' known as Board Counsellors.
9. Board members are appointed by Her Majesty The Queen on the recommendation of the Prime Minister from candidates identified by a selection panel on which the Treasury is represented. The Scotland Office is a member of the panel for the appointment of the Scottish board member.
10. Board members are appointed on merit consistently with the Code of Practice as determined by the Office for the Commission for Public Appointments (OCPA). They bring a range of experience and skills collectively apt to oversee, manage, control and guide The Crown Estate's business. The board includes a member with a particular knowledge and understanding of business and public affairs in Scotland.
11. The Crown Estate board is steered by its chairman, supported by its Chief Executive. With the exception of the Chief Executive, all board members are non-executives. The finance director also always attends board meetings. The general principle is for each non-executive member to be appointed for up to four years. In general non-executive board appointments may be renewed up to a further four years. No non-executive board member may serve on the board, as a board member and counsellor, for more than ten years in total.
12. The board is responsible for agreeing the objectives and strategy for The Crown Estate. It receives quarterly financial information in order to monitor financial performance and stewardship of the Estate's assets and to steer progress in meeting objectives and implementing strategy. It must approve all major transactions of the business. It delegates authority to deal on other matters to the executive as it sees fit.
13. The board oversees the management of The Crown Estate's risks, ensuring there are effective systems of financial delegation, control and risk management in place so as to strike a balance between innovation and avoiding unnecessary risk. It seeks to diversify the Estate's property portfolio within parameters it determines to deliver sustainable performance.
14. The board operates to high standards of corporate governance. It reports on its performance in its annual report and reviews its own performance annually. Generally it seeks to improve its internal workings to meet the changing requirements of the business and best practice corporate governance standards.
15. The board works through a number of operational board and executive committees, including an audit committee, a management board, a remuneration committee, a nominations committee, and such other committees as it considers conducive to its business.

## Relationship with the Treasury

16. The Treasury is charged with general oversight of The Crown Estate's business. The Crown Estate therefore supplies the Treasury, aiming for no surprises, with:

- the quarterly financial information supplied to the board, including a balanced scorecard of its financial and non-financial performance;
- information about significant business developments;
- information about any unusual or innovative proposals, e.g. proposals undergoing legal clarification.

17. In addition to ad-hoc meetings as business dictates, the following regular discussions with the Treasury normally take place each year:

- in spring, the corporate plan and revenue targets looking forward to the next financial year and projecting the two following financial years ahead;
- in autumn, the investment strategy for the year ahead.

18. The Crown Estate agrees revenue targets for three years ahead with the Treasury and reviews them at its spring meeting. The targets take account of the likely development of the income stream from the portfolio, market and general economic conditions.

19. The Crown Estate measures its performance against:

- the revenue targets agreed with the Treasury;
- a bespoke IPD benchmark (measuring total return);
- other external indicators from time to time as appropriate e.g. Business in the Community.

20. The remuneration policy for Crown Estate staff is the responsibility of the Remuneration Committee within a framework agreed by Treasury Ministers in March 2015. The parameters of the remuneration policy are set with regard to remuneration trends and benchmarking across the relevant industry, individual job responsibilities and personal performance, all of which are tracked and evaluated annually. The remuneration of senior executives is set by the Remuneration Committee within the context of the agreed framework. The chief executive's remuneration is recommended by the Chairman, also in the context of the agreed framework, and is approved by the Remuneration Committee.

21. The Crown Estate offers pension schemes with two providers: the Civil Service Pension Scheme and The Crown Estate Pension Scheme. Each scheme comprises a number of sub-schemes offering different pension benefits.

22. The Crown Estate's financial statements are prepared in accordance with the requirements of the Crown Estate Act and with Treasury accounts directions made under the Act.

23. The Crown Estate operates within specific agreements made with the Treasury from time to time, including:
- transfers from revenue to capital limited to 9% of the previous year's gross revenue (excluding service charges);
  - exposure to indirect borrowing through joint ventures (including English limited partnerships) to be no more than 40% in one vehicle and in aggregate 10% of the Estate's net asset value.

## **Disclosure**

24. The Crown Estate applies high standards of public accountability generally.
25. It publishes an Annual Report and Accounts and Resource Accounts in accordance with Financial Reporting Manual standards, both laid before Parliament before the recess each year. It also makes available unaudited reports for Scotland, Wales and Northern Ireland. These are supplied to the devolved administrations for information.
26. The Crown Estate is externally audited by the Comptroller and Auditor General. It operates an internal audit function underpinned by advice and expertise from external independent advisers. The Comptroller and Auditor General may also perform value for money studies, which the Public Accounts Committee may examine, from time to time.
27. The Crown Estate seeks to handle requests for information about its business (whether by Parliamentary question, correspondence or under the Freedom of Information Act) promptly and accurately.