

## **Innovation with Natural Resources Challenge Fund**

### **Context**

As outlined in our 2020-23 Corporate Plan, Crown Estate Scotland is planning to invest up to £9m of our capital investment programme via three “challenge funds”: Local Partnerships, Boat Based Tourism, and Innovation with Natural Resources. Around £3m will be available through each fund.

The benefits of adopting a challenge fund approach include:

- a process based on open competition;
- innovative and/or evidence-based proposals;
- fixed scoring criteria to determine applications; and
- funding decisions made by an assessment panel or committee.

With the funds, we are seeking to support viable business and/ or community development opportunities. which can generate positive financial returns from the Scottish Crown Estate. Where these financial returns could be marginal, we will consider supporting proposals that clearly demonstrate the additional benefits that would be derived from the investment.

The detail of the funds is now being developed and we are seeking feedback from stakeholders to help shape the process and criteria, with specific feedback sought on the following items:

- Fund objectives;
- Eligibility criteria for all funds and those specific to Innovation with Natural Resources;
- Timescales including delivery via windows and/or ad-hoc proposals; and
- Proposed scale of funding.

### **Investment Criteria**

Funding is coming from Crown Estate Scotland’s capital reserve and to satisfy the terms of the 2019 Scottish Crown Estate Act, the following criteria will apply to all investment provided through the three funds in alignment with our investment strategy as set out in our Corporate Plan:

- Investments must relate to existing assets under Crown Estate Scotland management or new assets to be purchased or developed which become part of the Scottish Crown Estate. This could include sale and buy back options for temporary ownership models as a partnership investment mechanism.
- Investments must maintain the capital value of the funds invested and the income arising from them over its lifetime. They should also seek to enhance the capital value and income.
- Projects should clearly demonstrate commercial viability where possible and provide a suitable rate of financial return to Crown Estate Scotland, to be agreed on a case-by-case basis in line with the [Investment Strategy set out in Section 5 of the 2020-23 Corporate Plan](#).
- Applicants must demonstrate the benefits that will result from the investment in terms of economic development; regeneration; social and/or environmental wellbeing.
- Projects must contribute to one or more of the five Strategic Objectives in our 2020-23 Corporate Plan.

- Proposals should demonstrably align with regional economic development priorities; local development plans; national, sectoral or regional marine plans; or other local and national government economic strategies.
- Proposals must be able to evidence stakeholder support from one or more of the following groups:
  - local authority;
  - local community;
  - enterprise agency;
  - industry bodies;
  - funding bodies.

### **Innovation with Natural Resources Fund**

The objective of this fund is to invest in projects involving elements of novelty, improvement or originality that focus on long term business development and diversification in ways that positively improve the sustainable use of natural resources, in partnership with existing tenants.

#### Eligibility Criteria

Target beneficiaries of the fund are existing Crown Estate Scotland tenants and agreement holders across the rural, coastal and marine estates.

Innovation with Natural Resources Challenge Fund proposals will be assessed against the following specific criteria:

- Strength of innovation in the use of existing resources or the use and development of natural resources in a different way that promotes sustainable use of the Scottish Crown Estate;
- Contribution towards local/regional development plans and environmental/economic development plans which involve protection of habitats and ecosystems, and sustainable use of natural resources;
- Financial/commercial viability/robust business plan;
- Deliverability/project management; and
- Track record of successful commercial project implementation.

#### Timescales

The Innovation with Natural Resources Challenge Fund will launch in April 2021, closing in September 2021.

Project funding from all parties to be committed by 31 March 2023.

#### Funding

Available funding will range from £150,000 to £500,000 per project.

Projects can only receive funding from one Crown Estate Scotland Challenge Fund.

Potential projects could include, but are not restricted to:

- Conversion of existing buildings or provision of new buildings/infrastructure to support diversified enterprises.
- Projects that support business restructuring and result in more sustainable resource use for existing businesses e.g. that demonstrably reduce negative impacts on natural resource use.
- Projects which add commercial value to existing enterprises through the more efficient use of natural resources such as through co-operative working.
- Addressing the impact of climate change / promoting management activities which help address climate change and reduce carbon footprint.
- The enhancement or development of alternative green renewable energy, which reduces dependency on fossil fuels.
- Projects that reduce air pollution, waste and diffuse pollution of water courses.
- Developing proposals which can support tenant farmers longer term business resilience and to adapt their practices to cope with climate change.

### Questions

Feedback is sought in relation to the following questions:

1. Do you support the proposed objectives of the fund?
2. Do you think the eligibility criteria are appropriate and will enable applications that can meet the objectives of the fund?
3. Do you think the funding limits are appropriate?
4. Should a mechanism be included to allow consideration of applications that meet the fund criteria to be considered outside the application windows?
5. In relation to timescales, do you support the proposed approach?
6. Do you have any other general comments?

Please send responses to Annie Breaden ([annie.breaden@crownestatescotland.com](mailto:annie.breaden@crownestatescotland.com)) by Monday 2 November.