



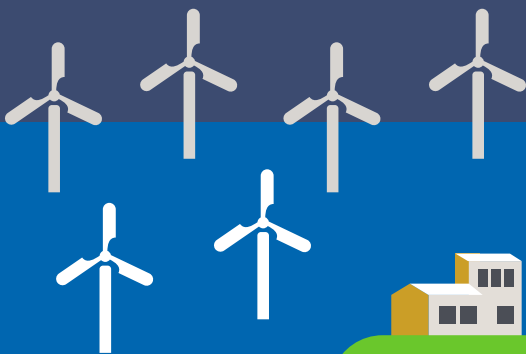
**Crown Estate
Scotland**
Oighreachd a' Chrùin Alba

Crown Estate Scotland (Interim Management)*

Annual Report and Accounts to 31 March 2019

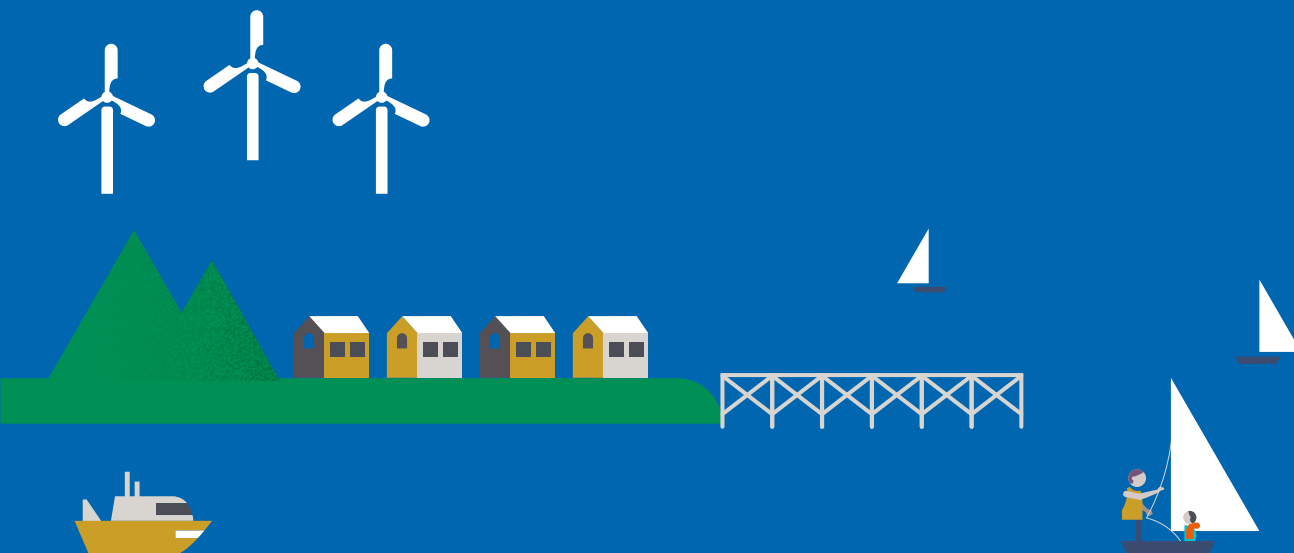


Presented to the Scottish Parliament in pursuance of Section 2 of the Crown Estate Act 1961, amended by the Scotland Act 2016, Chapter 11, Part 4, Section 36.
*Hereinafter referred to as Crown Estate Scotland



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Our purpose

Investing in property, natural resources and people to generate lasting value for Scotland.

Introduction

Welcome to Crown Estate Scotland's second annual report.¹ Crown Estate Scotland started operating on 1 April 2017 and is tasked with managing the assets – which together comprise the Scottish Crown Estate – to generate lasting value for Scotland.

These assets stretch the length and breadth of Scotland. The seabed, 620 square kilometres of foreshore (just under half of Scotland's total), rural land, commercial property and the rights to wild salmon fishing and naturally-occurring gold and silver: the estate is a unique mix of land, property and rights.²

How we manage it impacts thousands of people – their businesses and their communities – as well as the wider Scottish economy and environment. In this report we outline what we have delivered in our second year of operation and look ahead to the opportunities and challenges in 2019-20 and beyond.

¹ Crown Estate Scotland is the trading name of Crown Estate Scotland (Interim Management).

² Throughout this document, 'the Estate', 'the assets' or the Scottish Crown Estate refers to the land, property and rights currently managed by Crown Estate Scotland. Within the Estate, there are four categories of assets: Rural, Coastal, Marine (comprised of Aquaculture and Energy & Infrastructure) and Urban.

1

Overview

Overview

In this section we give an overview of Crown Estate Scotland's purpose and activities. We also look at key risks and issues facing the organisation and give a summary of performance in 2018-19.

Our 2017-20 strategic objectives are to:

1. Contribute to Scotland's economic, social and environmental well-being;
2. Grow revenue and enhance the capital value of the estate;
3. Develop local decision-making and success, with a particular focus on communities and coastal local authorities;
4. Build confidence and trust in the organisation; and
5. Develop and deploy our people's expertise to deliver success.

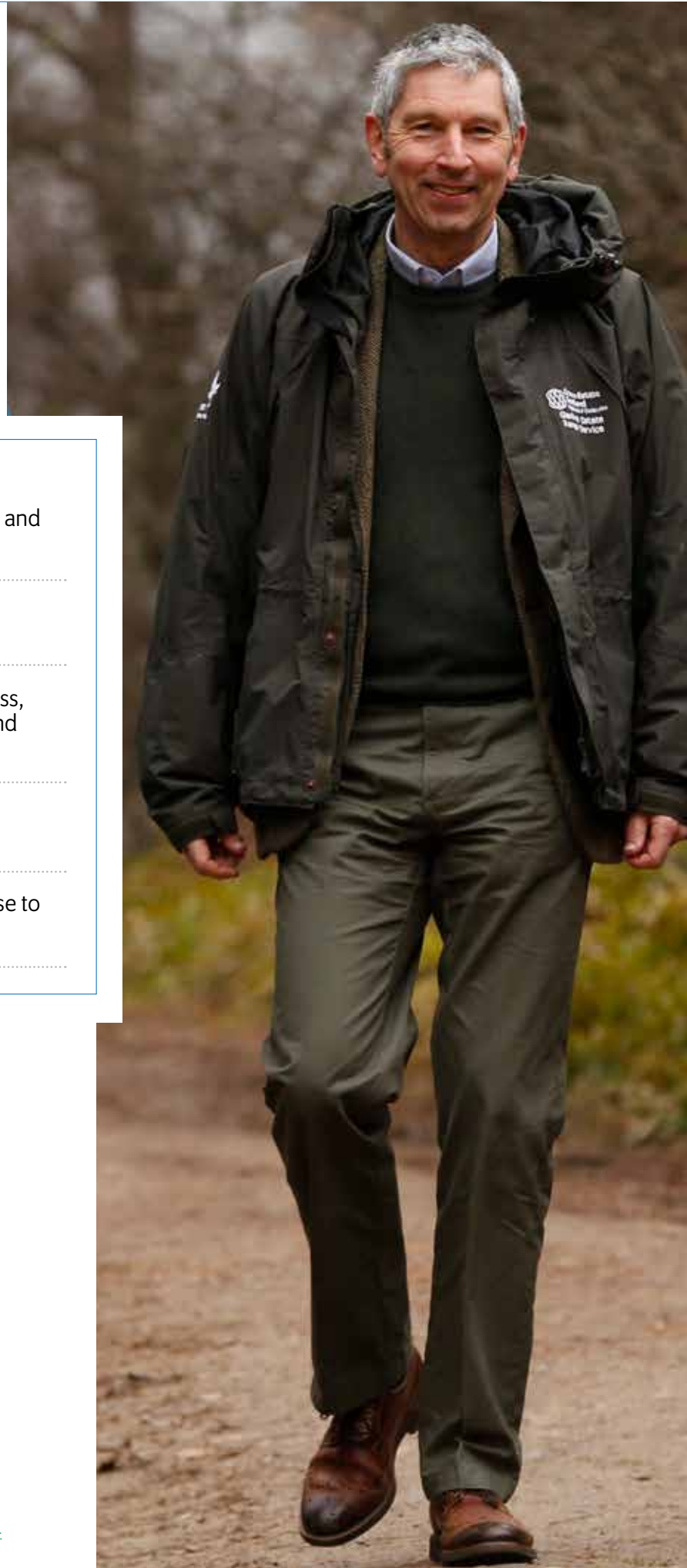
1.1 Statement from the Chief Executive

In last year's annual report, I started this statement with feedback from a coastal tenant who asked us to simply keep doing what we do. I had just joined the business and, reviewing that year's tenant survey results, was heartened to find plenty of positive feedback about what we do.

There was room for improvement too (see sections 1.4.1 and 1.4.2, and Case Study 4) and with excellence as one of our four organisational values, we are always striving to do better.

This year's survey, covering a different group of tenants, came back with more positive results and, helpfully, more suggestions for how we may improve. Thank you to everyone who responded.³

³ A summary of results is at www.crownestatescotland.com/maps-and-publications/download/266



“

Exceptional service. They are one of my favourite organisations to work with.

OFFSHORE WIND TENANT FEEDBACK
IN OUR INDEPENDENT SURVEY

Our unwavering commitment to deliver for tenants, as well as communities and Scotland as a whole, drives the ongoing development of Crown Estate Scotland as an organisation.

In 2018-19, new primary legislation, the Scottish Crown Estate Act 2019 ('the Act'), was passed by the Scottish Parliament. This widens our role and sets out a clear remit for delivering value beyond financial return.

This legislation is reflected in our new strategic framework which we developed to guide our activity over the coming years. It provides focus and direction during a period of ongoing change in the sectors within which we operate and it offers our tenants and staff clarity after a period of transition (see section 1.2.1).

Delivering for all

With just 41 FTE staff (supported by managing agents), Crown Estate Scotland is a small organisation, albeit one with a wide reach. Our work across seabed, coastline, rural estates and more, spans key sectors including offshore renewables, aquaculture, farming and port & harbours, and impacts thousands of people.

With this wide reach comes a responsibility to manage the assets in ways that deliver for all, creating a more successful country with opportunities for all of Scotland to flourish through increasing wellbeing, and sustainable, inclusive economic growth.

In 2018-19 we delivered on all five strategic objectives as set out in our 2017-20 Corporate Plan. In some areas, we surpassed challenging targets.

As a self-financing body, we are proud to contribute to public funds by returning all revenue profit to the Scottish Government. Building on the success of 2017-18, we generated £11.4m for the Scottish Government's public spending in 2018-19 (£4.1m above target). Offshore wind projects generating electricity earlier

than anticipated, careful use of outsourced support and the sale of timber from trees affected by Dothistroma needle blight contributed to this.

We invested £4.4m of capital across the four rural estates to help support our tenants' businesses and their wider communities. This included two farm tenancy surrenders, three major new buildings, completing the restoration of a former opencast coalmine at Whitehill, and a range of electrical and asbestos works, improvements to water supplies and roof upgrades.

£11.4m
to public finances

£4.1m
above target

£4.4m
invested in rural estates

Works at Rhu Marina in Argyll & Bute were postponed (see p.23) and works at Blairfindy Castle in Moray were not completed in 2018-19 due to challenges appointing specialists to deliver a technically demanding project. This resulted in planned capital investment being £3.5m lower than anticipated.

Following a number of transactions including the sale of four farms (three to sitting tenants and one on the open market) and offshore wind projects reaching significant milestones, we built up a capital reserve at 31 March 2019 of £38.2m for reinvestment.⁴ In 2019-20 we'll consult on our draft 2020-23 Corporate Plan, setting out how we plan to invest capital in property, natural resources and people to deliver lasting value.

Building for future success

Already, we have started to lay the foundations for how we will deliver that long-term value.

In 2018-19 we launched the first phase of a new approach to partnerships – our Local Management Pilots Scheme – marking a step-change in how we work at a local level.

We also developed a new leasing round for offshore wind to attract investment to Scotland, create jobs and enable low-carbon energy generation. This round will be launched in 2019-20 and could play a key role in delivering on the Scottish Government's target for net zero greenhouse gas emissions by 2045.

Our Value Project has started to develop a framework for identifying and measuring the different types of value – economic, social, financial and environmental – that Crown Estate Scotland and the Scottish Crown Estate deliver. This will inform our strategic decision-making and help embed the Act, ensuring that the Estate is managed in a way that benefits all.

As our ambitions grow and we deliver more, our team develops and expands. New roles are being created and new colleagues are joining us both in the staff team and on our Board.⁵

We're incredibly proud of what our team delivered in the past year against a backdrop of ongoing change, including a review of pay and conditions. Thank you to all staff for their hard work.

I hope this report provides an informative and balanced summary of work to date. Please contact the team (details are on the back cover) should you have any comments or queries.



**Simon Hodge, Chief Executive,
Crown Estate Scotland
(Interim Management)**
14 August 2019

⁴ This includes £25m capital receipts from offshore wind. The payments arose from offshore wind developments achieving specific project milestones or undergoing significant restructuring. Income of a similar scale in a single year is unlikely to recur from this source.

⁵ Two new non-executive members were appointed on 1 May 2019. This takes the Board up to nine members (three female and six male). The number of FTE staff rose by six in the 12 months to 31 March 2019 to a total of 41.

1.2 Who we are and what we do

Crown Estate Scotland is a public corporation tasked with managing Scottish Crown Estate assets. Ownership lies with the Monarch in right of The Crown and management responsibility sits with Scottish Ministers who in turn delegate to Crown Estate Scotland.

Importantly, we are a net contributing body. All our revenue profit goes to the Scottish Consolidated Fund and, ultimately, the Scottish Government, to benefit the public purse. Our [Framework Document](#) sets out our functions, responsibilities and powers.

As a public corporation, we are distinct from most other public bodies. Our commercial activity is under direct Government control and the Scottish Ministers appoint our Chair and Board members. We appoint staff (who are not civil servants) and we manage our own budget.

The Estate is a unique mix of land, property and rights, with a total value of £385.8m.⁶ It is split into four categories: Marine (Aquaculture; Energy & Infrastructure); Coastal; Rural, and Urban. It includes ancient rights held by The Crown (e.g. wild salmon fishing) as well as historically acquired property (e.g. Glenlivet Estate).

1.2.1 Purpose and roles

Crown Estate Scotland's purpose is to invest in property, natural resources and people to generate lasting value for Scotland.

We manage assets that stretch the length and breadth of Scotland – seabed, coastline, rural estates and more – to ensure that families, businesses and communities can live, work and thrive on the assets.

This in turn supports the Scottish public sector's overall purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing wellbeing, and sustainable and inclusive economic growth.

Our goals and objectives align closely with the Scottish Government's National Performance Framework (see 2017-20 Corporate Plan, Section 4.1), Economic Strategy and Energy Strategy.

Our vision encapsulates what we want to deliver for Scotland during the period 2017-20 and the values provide the foundation for our behaviour as an organisation and as employees and non-executives. How we deliver is as important as what we deliver.

Detail on our 2017-20 strategic objectives and how our work in 2018-19 contributed to delivering them is in section 1.4.

Scottish Crown Estate Act 2019

The new primary legislation governing management of the assets is the Scottish Crown Estate Act 2019 ('the Act'). This is in the process of being commenced. Until then, Crown Estate Scotland will operate under the Crown Estate Act 1961 but work within the spirit of the new Act.

The Act

- Sets a duty on Scottish Ministers to develop a strategic management plan setting out Scottish Ministers' objectives, priorities and policies in relation to the management of the Scottish Crown Estate. All managers including Crown Estate Scotland are required to align their activities with this plan.
- Allows on a case-by-case basis for eligible bodies ('managers') (e.g. local authorities, Scottish harbour authorities, Scottish Ministers, other public bodies and community organisations), to take on responsibility for specific assets, potentially in partnership or with support from us (for instance, Crown Estate Scotland may act as coordinator of geo-spatial or financial information). The Scottish Parliament also recognised that some assets may need to continue being managed at the national level.
- Sets a duty on all managers, including Crown Estate Scotland, to maintain and enhance the value of the assets in a way that supports sustainable development generally, and economic development, regeneration, social and environmental well-being specifically.
- Contains further provisions relating to managers' powers and duties, reporting, financial matters and compliance with Ministerial Directions. The Act therefore creates a new national framework to underpin a mix of national and local management of assets by different organisations and bodies in future.
- Removes the 'Interim Management' from our full name, signalling a long-term role for Crown Estate Scotland and helping give staff and tenants more certainty.

⁶ As at 31 March 2019, assessed by independent valuers. Figures have been rounded.

Illustration 1: Map



Esri, Garmin, GEBCO, NOAA NGDC, and other contributors

URBAN**£16.1m**

Currently consists of one property in central Edinburgh with retail and office space

COASTAL**£33.1m**

Rights to lease seabed out to the 12-nautical mile limit, plus just under half of Scotland's foreshore, for marine infrastructure

RURAL**£123.2m**

The Glenlivet, Whitehill, Fochabers and Applegirth estates cover 37,000ha (inc. agricultural, commercial and residential tenancies, 5000ha forestry, sporting and mineral rights)

Rights to fish wild salmon and sea trout in river and coastal areas, as well as rights to naturally-occurring gold & silver across most of Scotland

MARINE (AQUACULTURE)**£26.1m**

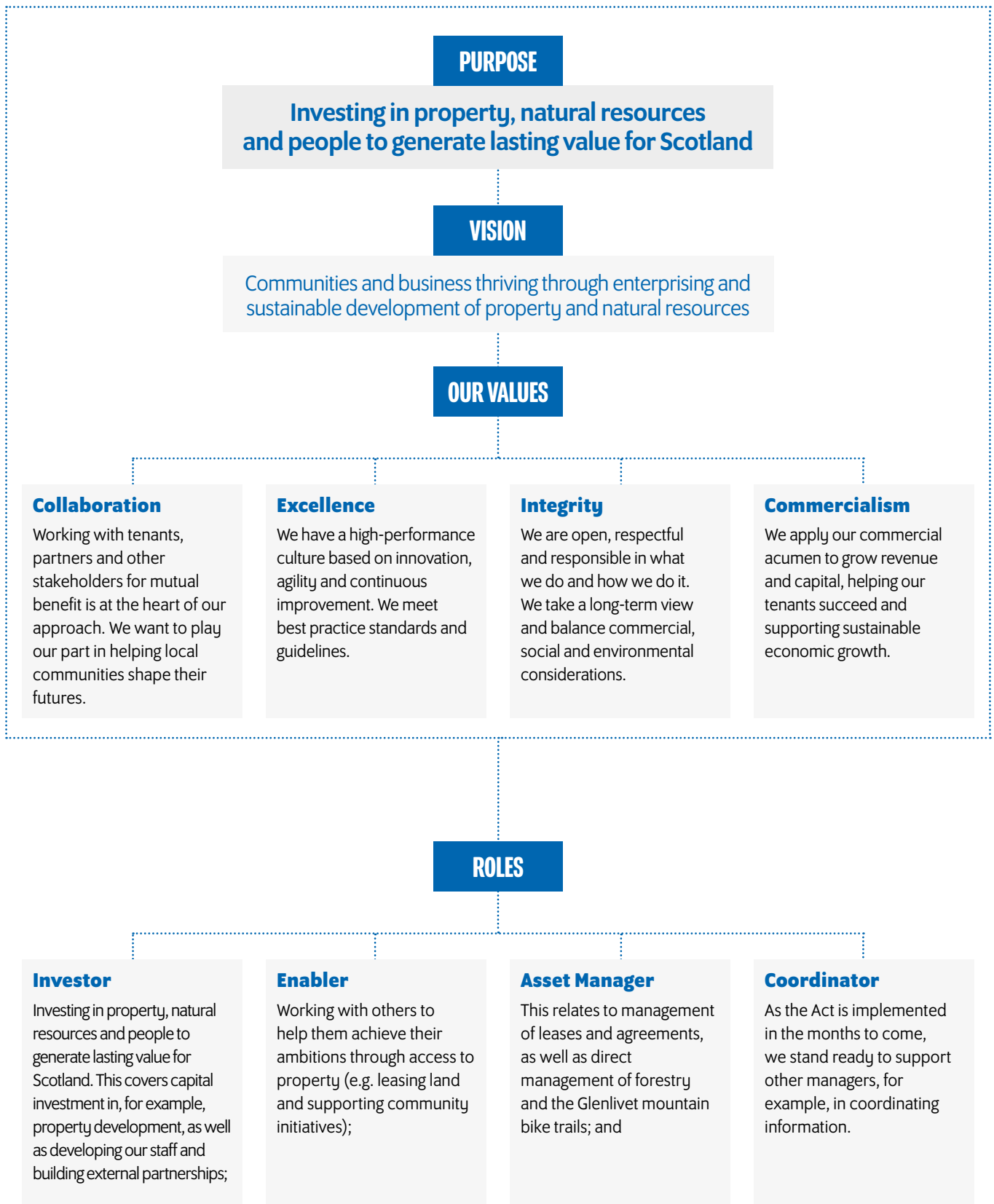
Right to lease seabed for fish farms.

MARINE (ENERGY & INFRASTRUCTURE)**£187.3m**

Rights to lease seabed for renewable energy generation and gas and carbon dioxide storage out to the 200-nautical mile limit

Rights to lease seabed for telecommunication and electricity cables and oil & gas pipelines, out to the 12-nautical mile limit

Illustration 2: Strategic framework





Case study 1: Towards a net zero emissions economy

Our unique position working across a variety of offshore sectors and technologies means we are ideally-placed to support the growth of Scotland's blue economy by enabling sustainable economic activity on the seabed.

To that end, in 2018-19 we commissioned leading academics and industry experts to help map the future development of cutting-edge industries and the 'just transition' to a net zero emissions economy.

This included:

- A study by the Offshore Renewable Energy (ORE) Catapult which set out the potential benefits to the UK economy of floating wind development. It estimated that up to 17,000 jobs could be created by 2050.
- A report by The University of Strathclyde which highlighted the potential for Carbon Capture and Storage (CCS) to play an important role in helping to sustain the approximately 44,000 direct and indirect Scottish jobs currently linked to oil and gas and other related industrial sectors.
- A study in partnership with specialists Everoze to provide a potential way forward for a more localised approach to offshore renewable energy deployment in coastal and island communities.

We also consulted on and designed our new offshore wind leasing round, ScotWind, which will help pave the way for a new pipeline of projects in Scotland's seas.

Scotland's offshore renewables sector celebrated a number of milestones in 2018-19. The 588MW Beatrice Offshore Wind Farm became fully operational, the European Offshore Wind Deployment Centre opened, and the £2.6bn Moray East project reached financial close. We're pleased to play a part in supporting our tenants on these projects.



1.3 Forward-look for 2019-20 and beyond

The Act tasks Crown Estate Scotland with managing the assets to provide value beyond financial return. It also introduces mechanisms for other bodies ('managers') to manage parts of the Scottish Crown Estate. It creates a new national framework for the Estate with Crown Estate Scotland adopting new 'coordinator' duties, for instance, in relation to some types of information and data.

We are well-placed to align with this new legislation with a review of internal decision-making under way; new ways of identifying and measuring value being developed; the Local Management Pilots Scheme trialling innovative management models, and the balance of in-house and outsourced support currently under review.

Alongside our ongoing work to deliver excellent tenant service, our objectives for 2019-20 are therefore to:

- Engage with local communities, tenants, communities of interest, business and the public sector to review how we can:
 - support strategic development in coastal infrastructure and the 'blue economy'⁷ more widely (linking to 2017-20 Corporate Plan strategic objectives no 1 & 2);
 - review how we work with the aquaculture and wild fisheries sectors to create a long-term sustainable future (strategic objectives no 1 & 3);
 - work with partners in the built environment to best add value, taking a holistic approach and identifying opportunities with strategic development potential (corporate plan strategic objectives no 1 & 2); and
 - manage the rural assets to ensure they deliver wider value (strategic objectives no 1 & 2).
- Collaborate with communities and strengthen partnerships, building on our Local Management Pilots Scheme, increased engagement and the success of moorings associations (strategic objectives no 1 & 3).
- Progress registration of the assets in the Land Register of Scotland, contributing to targets set by Scottish Ministers.
- Launch new leasing for offshore wind to attract investment in Scotland (strategic objectives no 1 & 2).
- Further strengthen organisational resilience while we prepare for the Act to be fully implemented, developing our expertise and ensuring our systems, policies and processes enable transparency, collaboration and innovation (strategic objectives no 4 & 5).

2019-20 will also see us develop our 2020-23 Corporate Plan (including an investment strategy) and a rural assets strategy.

The organisation and the staff team have managed a significant amount of change in recent years. To help us transition from an interim body to a permanent one will require a strengthened staff team and, potentially, new or enhanced systems.

We also need an organisational structure and working practices which reflect emerging needs and opportunities. These include the requirements on public bodies regarding reporting, consultation and communications, knowledge management, and alignment with a range of Scottish Government policies including, importantly, employee relations.

A people strategy, based on Scottish Government's Fair Work principles, and a new pay & conditions framework will be implemented in 2019-20 to improve and develop our offering, adding greater transparency, fairness and accountability.

1.3.1 Key issues and risks that could affect the delivery of Crown Estate Scotland's objectives

The diversity of the portfolio is both a strength (in terms of managing financial risk and identifying synergies between different assets and sectors) and a challenge (managing policy and regulatory risk as well as maintaining our expertise, profile and visibility across several different sectors).

The tables below provide a range of information including opportunities, operating environment and key risks related to specific parts of the business. Risk mitigations include processes and controls, transferring liabilities, informing and analysing emerging policy and close working with tenants and wider stakeholders. Our expertise – both in the core staff team and in our wider pool of outsourced support – plays a crucial role in identifying and managing risk. Strategic risk is covered in sections 2.1 and 3.3.6.

⁷ Blue economy refers to the sustainable economic development of the marine environment.

Table 1: Operating environment, policies, stakeholders and look ahead

	Operating environment including any current shifts and trends	Policies shaping performance	Stakeholders	Look ahead, opportunities to create value
Rural	<p>The agricultural sector is facing a degree of uncertainty as Brexit approaches. Existing subsidy levels will remain until 2022, but the longer-term outlook depends on the new regime.</p> <p>Agricultural tenancies place responsibility for new / replacement fixed equipment and other obligations on Crown Estate Scotland as landlord. With over 200 agricultural tenancies, this responsibility has a strong bearing on our capital planning.</p> <p>Forestry values continue to appreciate while river salmon fishings rents are impacted by reduced catches and continued decline of fish populations.</p>	<p>Aligning with Scottish Government policy, our priorities include encouraging new entrants (Scottish Government's Farming Opportunities for New Entrants), diversification and investment by tenants, working to build resilient farm businesses, identifying new income streams (including renewable energy opportunities) and enhancing natural capital.</p>	<p>Tenants, communities, development trusts, local and planning authorities, industry bodies, farmers' unions, a range of public bodies and enterprise agencies.</p>	<p>We want to remain a champion of integrated, multiple-use land management.</p> <p>Glenlivet – located in the UK's largest national park – demonstrates how farming, conservation, tourism and sporting use can work side-by-side and help regenerate rural communities.</p> <p>Our three other estates also evidence this approach to integration, combining farming, residential, mineral operations, sporting and development land.</p> <p>The diversity of the rural estate provides a range of opportunities for growing value. This is balanced by some uncertainties particularly in regard to the impact of Brexit.</p> <p>The uncertainty surrounding the impact of Brexit and other factors mean there is limited potential rental growth from land let for agriculture.</p> <p>Continuing to explore and supporting other commercial land uses such as mineral operations remains an area of focus.</p>
Coastal	<p>Scottish ports saw significant drops in tonnages of cargo between 2010 and 2016 due mainly to global economic factors and, in the case of Hunterston, the closure of the last coal-fired power stations in Scotland. Inward investment and diversification into the cruise ship and decommissioning markets have started to reverse this trend.</p> <p>The marine leisure market has proved to be resilient but faces challenges if it is to grow e.g. the availability of capital for infrastructure works and competition from other leisure sectors.</p>	<p>The interface between land and sea is a significant influence on managing near-shore activities, framed largely by the National Planning Framework, Strategic Development Plans, Local Development Plans, National Marine Plan and the evolving Regional Marine Planning Partnerships. The National Tourism Strategy and the National Transport Strategy have a significant influence on the use of marine assets and new opportunities emerging include the decommissioning market and innovation in energy production.</p>	<p>Tenants, all users of the marine environment across a range of sectors, activities and industries, Scottish Government, economic development agencies, statutory nature conservation bodies, industry bodies, regulators, planning authorities and local authorities.</p>	<p>The ports and oil & gas sectors will continue to form a key part of the coastal portfolio, with a number of major investment projects completed, planned and underway.</p> <p>We'll support tourism initiatives that contribute to the 2020 Year of Coasts and Waters, as well as the industry strategy 'Awakening the Giant'.</p>

	Operating environment including any current shifts and trends	Policies shaping performance	Stakeholders	Look ahead, opportunities to create value
Marine – Energy & Infrastructure	<p>The route to market – covering issues relating to grid, financial support, and access to appropriate seabed – remain key for the offshore renewables sector. Global and national carbon reduction targets continue to drive investment in R&D, commercialisation and supply chain. The demand for green electricity will grow as heat and transport are decarbonised.</p> <p>Lead-times for projects are typically up to 10 years and technology development spans years, sometimes decades. This means that we need to plan far in advance and be flexible.</p>	<p>Government policy continues to be central to offshore energy development, with private sector investment largely contingent on contracts awarded by the UK Government for low carbon generation.</p> <p>We work closely with Scottish Government to understand emerging policy and how we can best contribute to delivery. New leasing for offshore renewables will be in accordance with Marine Scotland's forthcoming Sectoral Plan for Offshore Wind.</p>	<p>Government and economic development agencies, statutory nature conservation bodies, industry bodies, regulators and planning authorities, energy developers and local authorities.</p>	<p>Offshore wind contribution is increasing and will continue to as new projects start operating. Wave and tidal energy technologies are currently less widely deployed and are at an earlier stage of commercialisation, with potential to grow in future.</p> <p>Oil & gas, which accounts for most of our offshore pipeline agreements, is influenced by oil price fluctuations and is undergoing a longer-term structural change as the North Sea basin matures.</p> <p>As the need for further connectivity grows, there may be a demand for more electricity transmission and telecommunication cables.</p> <p>CO₂ transport, utilisation and storage opportunities are being explored and underpinned by policy development. The scale and timing of activity will be influenced by the market models adopted, and other policy and regulatory factors.</p>
Marine – Aquaculture	<p>Global demand and prices for salmon remain buoyant meaning that Scotland, with 12,000 employees in processing and supply chain, must work to maintain its place as an attractive place to invest, live and work.</p> <p>There is increased interest in shellfish production, and in seaweed cultivation and harvesting as demand from the pharmaceuticals, food and cosmetic industries grow.</p>	<p>The sector benefits from clear government support for its development ambitions. Aquaculture is subject to Scotland's National Marine Plan, local authorities' development plans as well as the objectives of Scotland Food & Drink's Aquaculture 2030 Vision project. We note the Scottish Parliament's 2018 report⁸ on salmon farming and are working with government and industry to address some of the matters raised.</p>	<p>Consenting and planning authorities and others who use the marine environment, including fisheries, commercial and recreational navigation (e.g. RYA Scotland), coastal and island communities. For farmed salmon, District Salmon Fishery Boards and Trusts are priority stakeholders as are aquatic mammal conservation groups.</p>	<p>Brexit-related uncertainties include the possibility of trading tariffs and the strength of sterling.</p> <p>There are challenges including biological and environmental pressures (e.g. sea lice in farmed salmon, visual impact of farms, water quality for shellfish), a regulatory regime that is perceived as complex and, for shellfish, access to development finance.</p> <p>There is an opportunity to grow the emerging seaweed / alginate industry in Scotland in a socially and environmentally sustainable way.</p>
Urban	<p>The urban property market continues to be influenced by economic uncertainty. Future work will include scoping other built development opportunities including potential regeneration projects.</p>	<p>Ensuring commercial and residential accommodation helps create sustainable and desirable spaces, attracting businesses and consumers to locales, brings wider economic and social benefits.</p>	<p>Tenants, local authorities, and business improvement districts. As we other explore opportunities, we will engage with organisations such as housing associations and enterprise agencies.</p>	<p>Due to the attractive returns and relatively low property management requirements, urban development is a potential candidate for further investment. This will be explored as we further develop our investment strategy.</p> <p>We will also explore the opportunities for property development on the wider estate and the alternatives for optimising total contributions from our strategic landholdings.</p>

8 <https://digitalpublications.parliament.scot/Committees/Report/REC/2018/11/27/Salmon-farming-in-Scotland>

Table 2: Key risks associated with specific parts of the business

Asset	Description	Potential impact	Mitigation
Rural	Brexit and associated impacts on agricultural support affects tenant business viability.	Significant impacts on tenant farmers leading to tenant defaults, a lack of husbandry and reduced revenue over many years. Potential to impact on directly managed forestry, reduced capital value and increased costs.	Develop rural assets strategy which allows for: <ul style="list-style-type: none"> Helping to provide business planning support and advice to tenants. If necessary looking for opportunities to restructure farm holdings into viable units. Creating opportunities to innovate with new models, demonstrator projects, etc.
Coastal	Securing funding to maintain and improve marine assets.	Reduction in capital value, low revenue growth, deterioration of existing assets, increased maintenance costs, increase in liabilities with associated financial and Health & Safety implications.	Build coalition of support for capital investment. Ensure incoming tenants are of sufficient standing to meet lease obligations, including decommissioning and seabed restoration.
Marine – Energy & Infrastructure	Capital investment required to create new offshore wind infrastructure may not be attracted to Scotland.	Projects not developed, related government policies and targets not reached, revenue and capital potential not realised.	Early engagement with industry (to establish market appetite and key issues), UK and Scottish governments, and NGOs and sector bodies that may be impacted. Reducing consenting risk for project development by committing to lease in accordance with Marine Scotland's forthcoming Sectoral Marine Plan for Offshore Wind.
Marine – Aquaculture	Significant pest or disease impacting aquaculture production, sector development and rental income.	Large scale outbreak of fish pest or disease. Significant impacts on fish farmers leading to tenant defaults and reduced revenue over many years.	Promote best practice and help fund research & development. Work closely with tenants to manage economic impacts. Discuss possibility of additional sites to remove healthy stock from risk area.
Built environment (categorised as Urban until end 2018-19)	Significant void periods following lease expiries and tenant break options. Sub-optimal investments. Development lifecycle risk.	Reduced revenue and failure to increase market value.	Dialogue with tenants and proactive and timely marketing strategies. Future exploration of built environment opportunities will be in line with 2020-23 Corporate Plan. Build in-house expertise. Evolve systems to plan and manage significant development projects.



Case study 2: Helping farmers build their businesses

With around 115 farms and over 200 agricultural tenancy agreements spread across four estates, we're responsible for ensuring that the land and property is used in a way which delivers environmental, economic and social benefits.

In 2018-19 we invested £4.4m capital in the rural estates, funding three major new buildings at the Glenlivet Estate, a range of electrical, water supplies and roof works, as well as lease restructuring. These investments help tenants in their day-to-day operations and this in turn benefits the wider local economy.

Some of the works have supported tenants in building and diversifying their businesses, many of whom are situated in remote rural locations.

One of the key projects we funded in 2018-19 (with further expenditure in 2019-20) was the construction of a replacement silage pit at Wester Manbeen Farm on the Fochabers Estate. The pit supports the farm's organic dairy and beef cattle business.

George Hendry, tenant farmer at Wester Manbeen Farm, said: "Being an organic farm we are totally dependent on home grown forage. The new silage pits give us the capacity to carry over stocks from one year to the next allowing us to have forage available 12 months of the year. It also provides a modern and safe working environment when filling the pit, with the additional benefit of reducing plastic as we use less bale and ag bag silage."

Andrew Wells, Head of Property at Crown Estate Scotland, said: "As the needs of our tenant farmers are constantly evolving, we continue to find new ways of helping ensure they have the facilities they need to strengthen their operations. Farming businesses underpin many rural communities throughout Scotland and we know that these investments can have a positive effect far beyond the farmgate."



1.4 2018-19 performance summary

Here we highlight some key activities with reference to our 2018-19 Business Plan 'actions completed'. These actions are all aligned with our 2017-20 Corporate Plan.

Our 2017-2020 strategic objectives are to

1. Contribute to Scotland's economic, social and environmental well-being;
2. Grow revenue and enhance capital value of the estate;
3. Develop local decision-making and success, with a particular focus on communities and coastal local authorities;
4. Build confidence and trust in the organisation; and
5. Develop and deploy our people's expertise to deliver success.

1.4.1 Corporate

- Raised £32.4m capital against target of £10.6m.
- Returned £11.4m revenue to Scottish Government against target of £7.3m.
- Launched The Value Project to identify the economic, financial, social and environmental value that Crown Estate Scotland and the Scottish Crown Estate delivers.
- Developed and implemented tenant action plan including introducing bespoke communications for different groups of tenants; tougher action on unlicensed moorings; Board visits to rural estate tenants; providing further information on rents, and an extensive conditions survey of property across the four rural estates.
- Conducted tenant service research. Offshore wind and wave & tidal tenants rate our service particularly highly with 9 and 7.8 out of 10 respectively. These results add to those from last year to provide a complete baseline (covering all groups of tenants) against which future changes will be measured.⁹
- Launched our Local Management Pilots Scheme, enabling communities and local authorities to apply to manage Scottish Crown Estate assets in a way which will improve the economic, social and environmental well-being of their local area. This initiative marks a step-change in how the assets are managed, signalling our drive to involve communities much more. From 13 initial applications, progressed a total of four projects to the final stages of the scheme and all others are in discussion with us about other forms of partnerships.¹⁰

This initiative marks a step-change in how the assets are managed, signalling our drive to involve communities much more.

”

⁹ The full summary of results can be found at www.crownestatescotland.com/maps-and-publications/download/266

¹⁰ The latest progress on the Pilots Scheme can be found at www.crownestatescotland.com/what-we-do/local-pilot-scheme

- Developed our communications with tenants and wider stakeholders. Research shows that, from tenants who responded to surveys, virtually all are aware of who we are and that the majority know what we do.¹¹ Our digital communications channels (website, social media, e-newsletters) are increasingly popular.
- Created a new strategic framework bringing together our core values alongside a newly-defined purpose, vision and set of roles. This has been informed by feedback from staff, tenants, our partners and wider stakeholders and will guide our activity and organisational development over the years to come.
- Developed a People Strategy and staff handbook (both to be rolled-out in 2019-20) and reviewed pay & conditions to help us attract and retain talent.
- Commissioned an independent review of our IT infrastructure examining how we can strengthen and develop our systems.
- Developed an Open Data Publication Plan, published more spatial data, and rolled out further training on General Data Protections Regulations (GDPR).
- Completed the first phase of land registration covering 25% of rural and coastal assets.
- Supported 2018 Year of the Young Person with a range of activity (see Case Study 3).

Business plan actions: 1 - 14

1.4.2 Rural

- Invested £4.4m capital in the rural estate, including new buildings infrastructure, development and lease restructuring. This included:
 - Three major building projects at Glenlivet Estate completed;
 - The first phase of a new silage pit at a farm on the Fochabers Estate;
 - A range of improvements at properties to improve water supplies, prevent damp and upgrade roofs;
 - £50,000 contribution to Tomintoul & Glenlivet Landscape Partnership, with planning for Blairfindy Castle works completed and the Scalan Mills grant secured;
 - Surrender & waygo payments to release units for restructuring opportunities including re-letting or sale;
 - Major drainage, tree-planting and hedging at Whitehill to complete the restoration of former opencast coal land for agriculture use; and
 - An ongoing programme of electrical and asbestos related works in houses and cottages.
- Took a leading role in trialling the internationally recognised Natural Capital Protocol across the entire 23,000 hectare Glenlivet Estate, an upland tenant farm, and a lowland arable business on the Fochabers Estate. The final report from this trial will inform how farmers can potentially use a natural capital approach to inform what they do.¹² In 2019-20 we are carrying out further trials, extending to the dairy sector, and exploring how we can use it to inform management of Scottish Crown Estate land.
- Completed forestry restocking at Cairn Muldonich, Glenlivet, investing £145,000 capital in planting 130,000 trees.
- Renewed 20 river salmon leases giving continuity in access.
- Launched nine new projects across all four rural estates as part of our Biodiversity Action Plan. Activity covers tackling invasive species, creating new woodland and peatland restoration.

Took a leading role in trialling the internationally recognised Natural Capital Protocol across the entire 23,000 hectare Glenlivet Estate, an upland tenant farm, and a lowland arable business on the Fochabers Estate. The final report from this trial will inform how farmers can potentially use a natural capital approach to inform what they do.



¹¹ See the two sets of tenant research at www.crownestatescotland.com/maps-and-publications/download/266 and www.crownestatescotland.com/maps-and-publications/download/167

¹² Available at www.crownestatescotland.com/maps-and-publications/download/194

- Improved how we communicate with agricultural tenants (in response to tenant survey feedback) through Board visits and more tailored communications. We liaised closely with the Scottish Tenant Farmers' Association and the NFU Scotland (including their Tenants' Working Group).
- Extended our ongoing support for river salmon angling tenants with 50% and 25% rent reduction on category 3 rivers and category 2 rivers respectively. These will be in place for the 2019, 2020 and 2021 seasons to help clubs invest in activities that support habitat management and/or recruit members. This affects 55 out of our 140 fishing tenancies spanning 31 different rivers in Scotland.
- Contributed £10,000 to the Atlantic Salmon Trust's Missing Salmon project to raise awareness of and fund research into the recent declines in salmon returning to Scotland's rivers.
- Raised £6.7m capital for reinvestment in the Scottish Crown Estate. This included four farm sales (three to sitting tenants and one on the open market) plus seven residential property sales and income from sales of development land.
- Consulted on future priorities and guiding principles for how we manage the rural assets long-term. This includes how we raise and reinvest capital. Our forthcoming rural assets strategy and 2020-23 Corporate Plan will take the consultation feedback into account.

Business Plan action no: **27 - 33**

1.4.3 Coastal

- Took action to address the issue of unlicensed moorings (in response to tenant feedback) and to provide a better service to the boating community (see Case Study 4).
- Helped fund Keep Scotland Beautiful's Upstream Battle which aims to change behaviour and prevent marine litter at source, focussing on the entire length of the River Clyde and its tributaries.
- Facilitated a number of ports and harbours projects coming to fruition, including expansion projects at Lerwick, Aberdeen and Kishorn.

Business Plan action no: **3 36 37**

1.4.4 Energy & Infrastructure

- Consulted on and developed new offshore wind leasing for Scotland, informed by feedback from industry, government and NGOs. The leasing round, called ScotWind, will be launched in 2019-20 and will be designed to incentivise strengthening of the Scottish offshore wind supply chain.¹³
- Entered into Crown Estate Scotland's first lease option agreement for carbon dioxide storage, signalling our commitment to enabling development in the sector and contributing to Scotland's ambitious climate change targets. The Acorn project is to develop CO₂ storage deep below the seabed in the Central North Sea.
- Supported our offshore wind tenants as their projects progressed including construction of the Beatrice project being substantially complete by March 2019 (and fully completed in May 2019) and the finalisation of the Moray East project construction arrangements in December 2018.
- Secured £25.6m in capital payments as projects reached milestones or restructured.

Consulted on and developed new offshore wind leasing for Scotland, informed by feedback from industry, government and NGOs.

”

¹³ Marine Scotland is conducting a strategic planning exercise which will result in a Sectoral Plan for Offshore Wind. Crown Estate Scotland will lease only within areas identified as suitable within that Plan.

- Commissioned studies and research to support emerging sectors and technologies including:
 - Opportunities for a localised approach to offshore renewables in coastal and island communities. We will carry out further work on local energy systems in 2019-20.
 - The potential of CCS (carbon capture and storage) to help sustain jobs and build supply chain, helping the ‘just transition’ to a low carbon economy.
 - The potential macro-economic benefits to the UK if the floating offshore wind industry is provided with support to grow.
- Provided further support for development of the CCS sector in Scotland, including granting an option for lease of the seabed for the Acorn project off the north-east coast.
- Managed our investment in tidal energy project MeyGen as the project became fully operational, with capital return starting.

Business Plan action no: **15 - 22**

1.4.5 Aquaculture

- Funded research for successful wild and farmed fish interactions management with a commitment of £25,000 each year for three years (2017-18 to 2019-20) for a wild fish lice monitoring protocol pilot led by Fisheries Management Scotland.
- Launched the second phase of our ‘critical mass’ work to support scaling-up of Scotland’s shellfish sector. The study into how a commercially viable mussel farm may be supported will provide a framework for use across the sector.
- Worked with the Association of Scottish Shellfish Growers to develop a community information pack for shellfish farming (to be completed summer 2019).

Business plan action no: **24 25 26**

1.4.6 Urban (39-41 George St, Edinburgh)

- Worked with partners to attract new tenants and negotiate lease extension for current tenants.
- Preparations for cycle storage were completed, further enhancing the attractiveness of the retail and office units in the property.

Business plan action no: **38**

The following 2018-19 business plan targets were not fully met:

- Work to deliver improvements at Rhu Marina in Argyll & Bute has not progressed to plan due to sparsity of funding and uncertainty relating to EU funds. We will reassess options for the marina and surrounding area in 2019-20 (action no 34).
- A woodland planting proposal is still being developed (action no 30).
- A target of acquiring an urban property has been incorporated into a broader strategy to invest in built environment (urban and rural) and will form a key strand of the 2020-23 Corporate Plan (action no 39).

**Funded research for
successful wild and
farmed fish interactions
management**





Credit: Edinburgh Film Company

Case study 3: Supporting Scotland's Year of the Young Person (2018)

At Crown Estate Scotland we highly value the creativity, skills and talent of young people. In 2018, we supported a range of projects and initiatives to encourage, empower and inspire the younger generation. This included recruiting our first Forestry Intern, Angus Voy.

For this annual report, we asked Angus to share his thoughts about his time working with our team on the Glenlivet Estate in Moray.

- **Tell us a bit about what yourself**

I live in Inverness and having worked in various jobs, including small scale practical forestry work, I decided to pursue a career in the forestry industry. I'm currently undertaking a forestry HND course at the Scottish School of Forestry based in Balloch. Having completed the first year, my placement at Crown Estate Scotland forms part of my second year.

- **What drew you to the forestry industry – what do you like about it and what are the challenges?**

I've always been a big lover of the outdoors – so what better career than forestry where you spend so much time out and about in great locations? I find the different types of forestry fascinating and from a young age I always wanted to find out more about it.

- **What are the kinds of tasks and activities that you've been involved in?**

Every day is different, but I've worked a lot on the maintenance of the mountain bike trails, fence inspections and visiting working sites across the Estate to get an overview of timber harvesting and haulage being carried out.

- **What have you enjoyed most about your internship with us?**

I've loved working in such a beautiful part of Scotland and have particularly enjoyed building great relationships with the team.

- **What would you say has been the key thing you'll take away from your experience with Crown Estate Scotland?**

During my internship I've learned the importance of good team work, open communication and to be thorough in completing tasks. All these things will be valuable for me in my career and life.





Clyde in the Classroom

We continued to sponsor The Clyde River Foundation's 'Clyde in the Classroom initiative' in 2018-19, a project that sees thousands of school children from across the River Clyde catchment raise and release brown trout into the river system. The annual initiative provides learning opportunities across the curriculum as pupils monitor fish development, calculate what they need to keep them healthy and record their experiences. Having the responsibility of caring for the fish also inspires an interest in nature and the environment.

Knots to Watts

We supported the Scottish Council for Development & Industry's 'Knots to Watts' initiative, an engineering competition researching new offshore technologies. Three hundred pupils from 50 primary and secondary schools took part this year, researching the offshore wind industry and designing and building a floating wind turbine.

Volunteering in the local community

Edinburgh-based charity The Green Team do fantastic work in supporting children and young people to learn about and connect with nature, others and themselves.

Our staff, joined by managing agents Savills and our legal advisers at Anderson Strathern, took part in a volunteer day led by The Green Team. We planted 350 trees at the Whitehill Estate. The funds we provided for the charity's support will help to resource their programmes with young people.

Careers fair

Our team also took part in a careers fair to raise awareness of the range of jobs and specialisms in the property and energy sectors. We spoke to nearly 200 secondary school pupils at Trinity Academy, which has a mixed catchment area, and were incredibly impressed with their enthusiasm.

2 Performance analysis

Performance analysis

Our 2017-20 Corporate Plan details a range of KPIs and targets for the three years to March 2020 covering our five strategic objectives.

These three-year targets are sub-divided and reflected in each annual business plan, which in turn is cascaded down into staff members' performance objectives. We are developing a comprehensive assurance framework for use from 2019-20 onwards.

Progress is tracked throughout each financial year through quarterly reports to the Board, monthly leadership and team meetings as well as quarterly individual performance reviews.

Below we illustrate progress to date on some of the priority KPIs and targets.

Table 3: Priority 2017-20 KPIs and targets

Strategic objective	KPI	March 2020 target	How performance is tracked	Progress as at 31/03/19
1. Contribute to Scotland's economic, social and environmental well-being	Number of projects started under the Local Management Pilots Scheme	Three pilot projects started	Updates to Board on delivery of published scheme and timetable	Pilots scheme developed and consulted on; scheme launched and Stage 1 and 2 completed. Five applicants progressing a total of four projects
2. Grow the revenue and enhance the capital value of the estate	Revenue generated (2017-18 baseline) Total capital property value	Revenue increase £10m working capital fund established (target set out in draft Investment Strategy)	Financial performance reporting framework including quarterly reporting to Board Weekly transactions pipeline review	2018-19 £19m total turnover (against budget of £16.4m) (cf. 2017/18 £16.4m against budget of £14.17m) £38.2m capital funds held and £385.8m total investment property value (cf. 2017-18 £8.9m and £324.6m)
3. Develop local decision-making success, with a particular focus on communities and coastal local authorities	Tenant satisfaction levels Key partners' satisfaction levels including local authorities	Tenant satisfaction levels above 75% and key coastal local authorities' / partners' satisfaction levels above 70%	Independent tenant and stakeholder surveys	Tenants surveyed 2018-19 reported satisfaction at 7.2 (out of 10). Offshore wind tenants (which include two of our five highest value tenants) rated satisfaction at 9 out of 10. Local authority CEOs' favourability and satisfaction increased; Heads of Economic Development awareness and satisfaction also up on previous year ¹⁴
4. Build confidence and trust in the organisation	Tenant satisfaction levels Key partners' satisfaction levels including local authorities	Tenant satisfaction levels above 75% and key coastal local authorities' / partners' satisfaction levels above 70%	Independent tenant and stakeholder surveys	Tenants surveyed 2018-19 reported satisfaction at 7.2 (out of 10). Stakeholders surveyed 2017-18 rated Crown Estate Scotland 7.3 (out of 10) on transparency
5. Develop and deploy our people's expertise to deliver success	Staff engagement levels Staff retention levels Tenant satisfaction levels	Minimum 75% good-high engagement Maximum 10% unplanned turnover	Annual staff survey Quarterly reporting on staff turnover Tenant and stakeholder surveys	Tenants surveyed 2018-19 reported satisfaction at 7.2 (out of 10) 13% turnover in 2018-19 (action linked to this is covered in section 2.3.1)

¹⁴ PA Advocacy surveyed local authorities in April to June of 2019. 14 CEOs, 19 Leaders and 21 Heads of Economic Development were interviewed.

2.1 Uncertainties that may impact performance

There are risks and uncertainties that could impact on both the reputation and performance of Crown Estate Scotland. It is important that there are appropriate measures in place to mitigate these.

The approach to risk management that has been adopted is set out in sections 1.3.1 and 3.3.6 and reflects the guidance published by the Scottish Government.

Crown Estate Scotland is an asset-based business with a capital-intensive rural estate and a growing offshore renewables asset-base. The agricultural and aquaculture sectors are facing considerable uncertainty related to Brexit, and much of the future success of the offshore renewables sector relies on UK government policy and wider consenting and spatial factors.

Our mandate focusses on delivering lasting value as well as our contribution to public finances. To optimise what the assets deliver for Scotland, we must better understand the impacts of different approaches to management and investment. We are developing a framework to measure the wider benefits the different types of assets deliver for Scotland. This will help inform decision-making in a consistent and evidence-based way, considering economic, social and environmental impacts.

The Local Management Pilots Scheme, launched in 2018, is an important part of wider changes in how we empower communities and work with local partners. Five applicants are now working with us under the Scheme to develop their plans for assets in their area and move towards finalising agreements. At this stage, the full impact of the Scheme in terms of staff resource and cost is not fully known. We have scoped and planned for likely scenarios and are developing monitoring and evaluation processes.

In time, as the Act is fully implemented, other bodies may become managers of Scottish Crown Estate assets. This may impact delivery of some activity in our 2020-23 Corporate Plan. We will keep this under review through our established monitoring and reporting mechanisms.

Overview of risk management policy

Crown Estate Scotland maintains a well-established Risk Management Framework, overseen by the Audit & Risk Committee.

Crown Estate Scotland's approach to risk management aligns with the Scottish Public Finance Manual (SPFM).¹⁵ It is designed to:

- facilitate identification of risk priorities (in particular to identify the most significant risk issues);
- capture the reasons for decisions made about what is and is not tolerable exposure;
- facilitate recording of the way in which it is decided to address risk;
- allow all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it; and
- facilitate review and monitoring of risks.

Risk associated with specific parts of the business is covered in section 1.3.1 and there is further information on our approach in Section 3.3.6. An extract from the strategic risk register is as follows.

Table 4: Extract from risk register

Category of risk	Description	Impact	Mitigation
People	Accident on the Scottish Crown Estate leads to fatality or serious injury. Loss of life.	Permanent disablement.	H&S policies, processes, training and reporting in place. 'Health check' of our operational management activities in line with our policies. Development of strong H&S culture Improved incident reporting Review of H&S framework. Robust audit procedures. Monitor changes in legislation and case law and action as appropriate.
Finance	Brexit results in lease defaults leading to loss of revenue, reduced capital valuation and increased liabilities.	Liabilities increase. Loss of value.	Monitor Brexit arrangements and sector indicators. Prepare cautious budget to accommodate payment deferrals and defaults. Facilitate provision of support for farm business planning / development of tenants' integrated land management plans (ILMP's). Close liaison/communication with agricultural tenant group to address emerging concerns.
Society	Uncertainty and ongoing change leads to loss of skills / expertise / morale.	Negative impact on team, staff well-being and overall performance.	Implement People Strategy. Annual staff survey with subsequent action plans. Complete Pay & Conditions review. Ensure staff are fully involved in developing new strategic framework and corporate plan. Complete skills & capacity review.
Finance	Loss of systems, information and business continuity results in organisational failure.	Reputational damage and loss of key business information; recovery costs.	Commission independent review of IT infrastructure, and implement recommendations. Build in-house IT staff capacity. Up-to-date business Continuity plan in place. Records Management Plan in place.

¹⁵ www.gov.scot/Topics/Government/Finance/spfm/risk

2.2 Overview of financial performance

With opening balances of nil in both revenue and capital bank accounts on 1 April 2017, the first year of operation was characterised by careful financial and operational management to meet targets and manage cashflow.

Our second year has seen Crown Estate Scotland continue this approach. A slight increase in costs reflects increase in both headcount (from 35 FTE to 41 FTE) and in pension costs. We expect this to continue in 2019-20 as our team grow to deliver on our expanded remit.

Returning £11.4m to Scottish Government (over £4m ahead of budget) and having capital funds of £38.2m before permitted transfers from revenue demonstrates the success of this approach, the result of a 'one team' effort by staff, managing agents and other partners and suppliers.

Capital remains the property of the Monarch in right of The Crown. We therefore maintain a strict separation between revenue and capital accounts with transfers happening only under the circumstances defined within our legal framework.¹⁶

Cross-subsidy

We are not permitted commercial borrowing and must therefore raise capital from property transactions to meet our statutory obligations in undertaking works (e.g. providing and upgrading fixed equipment under our 200+ agricultural tenancies) and creating new shared value (e.g. by supporting development of the low-carbon economy). This reinvestment generates income and grows value in the future, supporting Scottish economic growth.

The ability to cross-subsidise – funding growth / investments in one part of the business by generating income in others – is critical to the long-term financial sustainability of the Estate.

In 2017-18, we sold one farm (which included four houses), plus eight separate residential cottages and one farmhouse.

In 2018-19, following a number of transactions including the sale of four farms (three to sitting tenants and one on the open market) as well as offshore wind projects reaching significant milestones, we have built up a capital reserve for reinvestment.

Revenue and value are determined by the activity that takes place on the assets. Valuation takes into account income streams and the degrees of certainty that this income will be forthcoming, assessed in relation to the type and duration of leases. Also reflected are wider market and macro-economic trends as well as risk associated with specific tenant activities.

Market conditions

The long-term investment in Marine Energy & Infrastructure, started by our predecessor The Crown Estate and continued by us, is increasingly driving up capital value and revenue returns. We expect this trend to continue in coming years as the energy industry continues to decarbonise and more offshore renewable energy projects progress through planning and consenting and into financial close, construction and commissioning.

Our ScotWind Leasing, to be launched in 2019, will open up new areas of seabed identified in Marine Scotland's Sectoral Plan for Offshore Wind, helping to develop a further pipeline of new offshore wind projects expected to be built in the late 2020s and beyond.

Rural value has held well. A small number of sales is balanced by healthy timber prices and the high value of forestry land. Scotgold Resources Limited's Cononish goldmine was granted planning completion in 2018-19. This resulted in Scotgold moving from an option agreement to full lease and starting work on the ground to develop the mine site. This was a significant factor in the near doubling of the value of Crown Estate Scotland minerals leases.

Fluctuations in commodities pricing, uncertainty around Brexit and rising food distribution costs characterised 2018-19. Our team will continue working with agricultural tenants to support them in business planning and diversification.

2.2.1 Revenue and valuation

In the pages that follow we provide a summary of revenue income generated by activity on marine, rural, coastal and urban assets, as well as overall expenditure, and the property valuation.

In Table 7 we then detail key factors relating to changes in gross revenue and valuation compared to 2017-18.

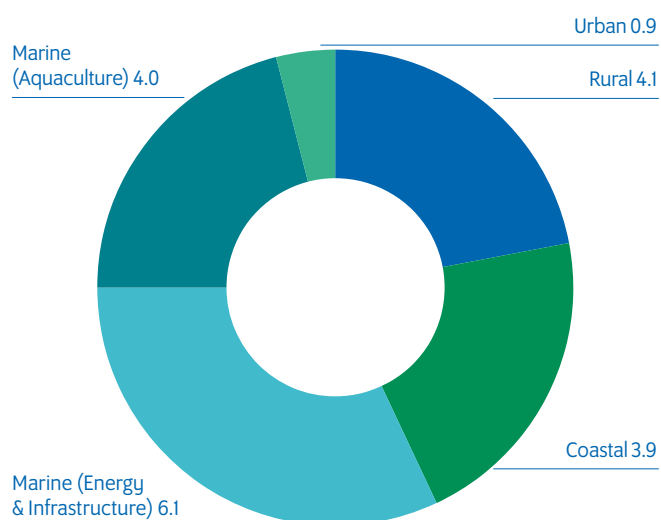
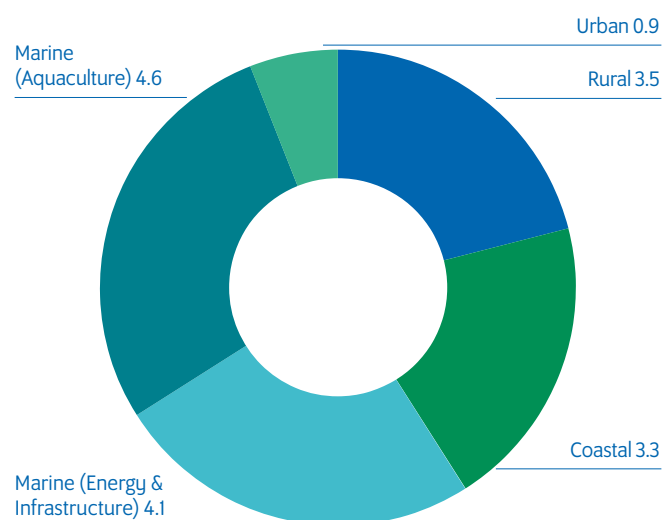
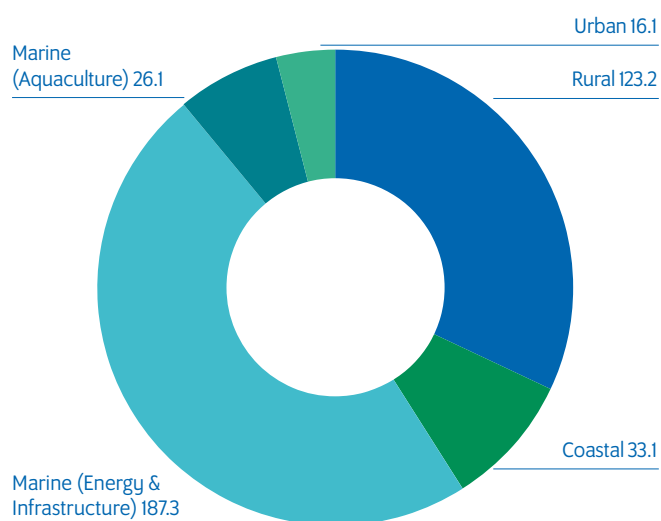
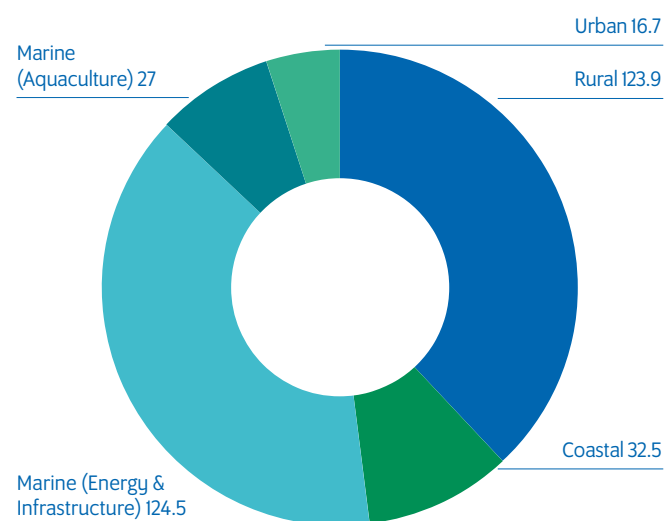
Table 5: summary of revenue account

	2018-19 £m	2017-18 £m
Gross revenue	19.0	16.4
Direct costs¹⁷	(3.3)	(3.3)
Indirect costs¹⁸	(2.7)	(2.5)
Transfers to capital account	(1.5)	(1.4)
Investment income	0.1	-
Depreciation of tangible fixed assets	(0.2)	(0.2)
Net revenue	11.4	9.0

¹⁶ The legislation which created Crown Estate Scotland (Interim Management) (see www.legislation.gov.uk/sdsi/2017/9780111033388, Article 20) enables the business to make transfers from the revenue account to the capital account. The amount that can be transferred is calculated as nine per cent of the previous year's turnover. In addition, the business can capitalise some costs, for example salaries. The legislation also permits the business to make loans from revenue received to fund short-term capital cashflow requirements. These are to be repaid as soon as practical and are not to be outstanding over a financial year end without the consent of Scottish Government.

¹⁷ Direct costs include maintenance, repairs, managing agents and other costs related to the land and property for which we are responsible.

¹⁸ Indirect costs relate to staff (most staff costs are funded from the revenue account, some come for the capital account), operating our two offices, a range of systems, insurance, governance and some professional support.

**Chart 1: Gross revenue by operating division
£m 2018-19****Chart 2: Gross revenue by operating division
£m 2017-18****Chart 3: Property valuation by asset
£m 2018-19****Chart 4: Property valuation by asset
£m 2017-18****Table 6: Gross revenue and property valuation 2018-19 and 2017-18**

	2018-19 £m	2017-18 £m
Total gross revenue	19	16.4
Total property valuation	385.8	324.6

Table 7: 2018-19 gross revenue and property valuation

	Gross revenue (2017-18) £m	Notes	31 March 2019 valuation £m (% change on 31 March 2018)	31 March 2018	Notes on change since 31 March 2018
Rural (agriculture, forestry, minerals and naturally-occurring gold & silver)	4.1 (3.5)	The 2018-19 increase includes income from <ul style="list-style-type: none"> Timber sales following unanticipated felling of trees of affected by Dothistroma needle blight. Scotgold's Cononish goldmine project as it progressed. 	123.2 (-0.5%)	123.9	A small number of sales and reduced acreage had little impact on overall revenue as these were balanced by improved rents in other properties. Forestry has increased value, reflecting market trends and the sector's ability to attract investment. Value of minerals including natural-occurring gold and silver almost doubled largely due to Scotgold's progress at Cononish, moving from option agreement to full lease.
Coastal	3.9 (3.3)	Revenue generated by the activities managed as part of our Coastal portfolio (includes ports & harbours, moorings, pontoons, dredging and outfalls).	33.1 (+1.8%)	32.5	Slight increase in capital value. The portfolio is characterised by a high volume of low value dealings, with a small number of high value dealings in the ports and oil & gas sectors.
Marine (Energy & Infrastructure)	6.1 (4.1)	Energy revenue is linked to energy output. Some projects started operating earlier than expected. Infrastructure revenue arises from cable & pipeline activities on the seabed.	187.4 (+50.5%)	124.5	Increase in value driven by Beatrice offshore wind farm generating electricity and other wind farms securing CfDs and making preparations for construction.
Marine (Aquaculture)	4.0 (4.6)	Reflects a drop in finfish production following higher than anticipated production the previous year. Aquaculture income is impacted by fish health management year-to-year, market demands and global trends - and potentially trading tariffs in the longer-term.	26.1 (-3.55%)	27.0	Value decrease largely reflects the drop in production during 2018.
Urban	0.9 (0.9)	Our urban property consists of retail and office spaces at 39-40 George St, Edinburgh. It provides reliable income stream with relatively low management costs.	16.1 (-3.47%)	16.7	Decrease reflects valuation carried out at a time when there were vacancies. As at early 2019-20 there are no units vacant.
Total	19.0 (16.4)		385.8 (+15.9%)		

Case study 4: Helping communities access seabed

As manager of just under half of Scotland's foreshore, we want to maximise opportunities for communities to access the economic and social benefits of marine leisure, including the growing marine tourism sector.

A key part of doing this is understanding our tenants' needs and our most recent coastal tenant survey told us that, while levels of satisfaction were high, they wanted to see us work more closely with local moorings associations and do more to tackle unlicensed moorings.

In 2018-19, our team carried out 265 visits to moorings associations, development trusts, marinas, businesses, individual tenants and others - that's more than one visit every working day.

At Holy Loch our Clyde Community Marine Officer conducted an extensive survey to identify and remove abandoned or illegal moorings.

With the growth of the marine leisure sector in Scotland, more pressure is being put on locations such as Holy Loch and having abandoned or unlicensed moorings only intensifies that scarcity of space and facilities. Safe identification and removal of abandoned or illegal moorings helps local associations to attract more visitors.

In addition, our three Community Marine Officers have supported local moorings associations and groups to manage seabed for the benefit of their members. We now have agreements with 125 mooring groups and associations.



Best Value and value for money

The Board has corporate responsibility for promoting the efficient and effective use of resources and staff in accordance with the principles of Best Value.

The Chief Executive has a duty to secure Best Value through continuous improvement in performance and having regard to economy, efficiency and effectiveness (value for money), as well as equal opportunities. Further detail is in our Framework Document.

Forward-look

Gross revenue for 2019-20 is projected at £19.3m. Our work will generate an estimated £8m for the public purse, representing 41.5% of gross revenue.

We anticipate capital expenditure of up to £8.3m with receipts of approximately £3.5m.

As our remit grows and new requirements relating to the Act come into force, our costs – including staff costs – will increase so that we can deliver more. We are keeping this under review and have robust controls in place to ensure effective budget and cash management. We are resourcing new areas of activity including The Value Project and implementation of the Local Management Pilots Scheme (e.g. work in GIS (spatial mapping), finance and legal). These are important strands of work designed to contribute to the long-term sustainability and productivity of Crown Estate Scotland and of the Scottish Crown Estate as a whole.

We are reviewing the balance of outsourced and in-house support to ensure value for money. We may secure new office accommodation in 2020 for our staff team.

In section 3.3, we set out our internal control structure and how we manage resources.

2.3 Non-financial information

In this section we give an overview of non-financial information that is key to our success as a public body, as an employer and as a responsible business.

2.3.1 Our people

On 31 March 2019, Crown Estate Scotland had 41 FTE staff (more detail is in section 3.2). Our current business model is based on this small core team with support from managing agents and other professional service providers. This model will evolve to deliver our 2020-23 Corporate Plan.

Following last year's staff survey, the staff fed into an action plan which included:

- Developing a new pay & conditions framework, which will be finalised and implemented in 2019-20;
- Building a new staff intranet to aid communication and collaboration;
- Staff and Board working together to form a new strategic framework, with workshops on our values, vision, roles etc.;
- Strengthening our communication on the new Act, working with Scottish Government colleagues to ensure our people are clear on how it may impact them;
- Instigating a skills & capacity review, including the creation of new roles to address concerns relating to workload. This has enabled us to create opportunities for internal promotion, addressing feedback related to the need for more progression;
- Delivering a range of training including line manager training; and
- Reviewing and expanding our induction process.

In last year's annual report we highlighted the possible impact of the pay & conditions review on staff morale. In addition, there is considerable and ongoing organisational change.

In 2019-20 we have committed to building capacity across all teams, recognising the need to match our growing remit and ambition with the right staff resource. We will start to implement our People Strategy (to include enhancing staff expertise to meet evolving business needs, and development) and roll-out a staff handbook.

We will also work with our recognised trade union PCS to agree our new pay & conditions framework, and then implement it as soon as possible thereafter to give staff clarity and ensure that we have a transparent and fair pay structure that is aligned with Scottish Government Pay Policy.

We will ensure that we retain our Living Wage accreditation.

Our commitment to staff equality and diversity is detailed in section 3.4. Crown Estate Scotland's Chair is committed to enhancing the gender diversity of the Board, appointments to which are made by Scottish Ministers. Two female members were appointed in early 2019-20 and a further two female shadow Board members will join us for six-month periods to help bring new talent into the public appointments system.

2.3.2 Health & Safety

Excellent Health & Safety (H&S) management is fundamental to the success of the organisation. We seek to meet all relevant H&S requirements, to continually improve our approach and management, and to embed a positive H&S culture throughout the business.

The management of H&S is regarded as a key material issue in relation to Crown Estate Scotland's business interests. This is reflected in our H&S framework document, the revised policies and procedures and the importance placed on H&S in staff objectives and operational business management.

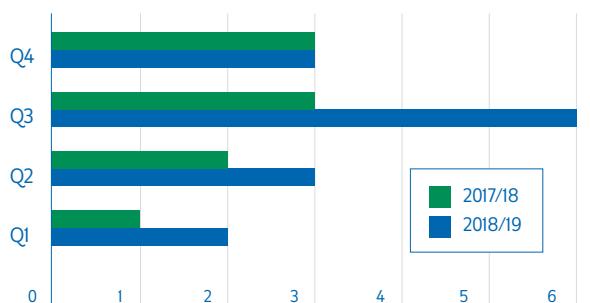
Our central H&S Committee meets quarterly and includes trade union representation. H&S is incorporated as an objective in all staff performance scorecards, is covered in detail in our induction process, and is a fixed item on all Board, senior management, staff and committee meeting agendas.

Chart 5 below shows recorded accidents and near misses related to staff in 2018-19 compared to 2017-18. In 2018-19 there were nine near misses / incidents and 19 accidents of which 14 were to employees, two to contractors working on site and three to members of the public. Of these, all were minor and resulted in no staff time off work.

There were no RIDDOR reportable staff accidents or incidents in the 12 months to 31 March 2019.

In 2018-19, a 'health check' review of our H&S framework was undertaken by our H&S consultant. This covered Crown Estate Scotland operations and the activity of the managing agents in relation to their responsibilities under the new policies. The review identified the need to put in place more robust resumption and recording policies and processes across all H&S management systems. This will ensure sufficient evidence of compliance is recorded to demonstrate that action has been taken.

Chart 5: Staff accidents & near misses in 2018-19 compared to 2017-18



2.3.3 Public Interest Reporting

As a public body, Crown Estate Scotland is committed to full compliance with:

- Freedom of Information (Scotland) Act 2002 ("FOISA")
- Environmental Information (Scotland) Regulations 2004 ("EIRs")

- General Data Protection Regulation (GDPR) 2018
- Data Protection Act 1998.

Crown Estate Scotland also adopted the Scottish Public Sector Ombudsman's model complaints handling procedure (CHP) in January 2018.

Table 8: FOISA and EIR requests and responses

	2017-18	2018-19
Requests for information received	35	48
Requests for information responded to	35	44*
Percentage of requests responded to within 20 working days	97%	92%
Average response time (working days)	9	7.97
Number of reviews carried out	2	2
Number of cases appealed to the Scottish Information Commissioner	1	0
Decisions issued by the Scottish Information Commissioner	1	0

*some requests are still being processed within the statutory time limit

A quarter of the requests received were from the same requester, continuing a pattern established in the preceding year.

There have been four late responses (compared to one in 2017-18). Two of these were due to human error and processes have subsequently been reviewed.

Appeals

We received two requests for a review of Crown Estate Scotland's handling of their request. The reviews overturned the original decisions and the information was released.

Cases appealed to the Scottish Information Commissioner and Decision Notices Issued

No appeals were made to the Scottish Information Commissioner during the period of this report.

Training

Training on freedom of information and on data protection is given as part of the induction process for new employees. Refresher training on freedom of information is being scheduled for all employees. Training on data protection has been delivered to staff and all staff are now undertaking an online training course which will be followed up with further face-to-face training.

Complaints

Three complaints were recorded in 2018-19 and responses were issued within the time limits set out in the CHP.

Training on CHP is covered in induction and we will offer further training to staff and work to raise internal awareness during 2019-20.

2.3.4 Sustainability

Environmental sustainability of the assets is key to our long-term success as an asset manager and investor, and to our ability to generate lasting value for Scotland.

We work with the Scottish Government, partners and communities to encourage sustainable practices, and continue to invest in public access and education activities to enhance public use and understanding of the natural environment.

This is demonstrated by activities including our:

- Work with tenants (on ecosystem restoration, woodland management, habitat and species management);
- Ranger team's educational work;
- Projects delivered through our partners (see for example marine litter in section 1.4.3 and Knotts to Watts in Case Study 3); and
- Management of forestry.

Crown Estate Scotland's assets are significant in supporting the delivery of Scottish Government objectives relating to the environment. Under the Wildlife and Natural Environment (Scotland) Act 2011, the 'Six Big Steps for Nature' set out in Scotland's Route Map to 2020 are integrated into our business planning. Our [Biodiversity Statement](#) was published in February 2018 and we will provide a publicly available report on actions taken to meet our biodiversity duty in 2021.

In 2018-19, we launched nine new projects across all four rural estates as part of our Biodiversity Action Plans. Activity covers tackling invasive species, creating new woodland and peatland restoration. Our funding and operational activities with the National Lottery Heritage Fund (NHLF) grant-aided Tomintoul and Glenlivet Landscape Partnership supports the delivery of 20 projects that will provide a positive legacy for the local heritage, natural environment and community sustainability.

Crown Estate Scotland is also supporting the 'Investment in Natural Capital' as set out in the 2020 Routemap. We took a leading role in trialling the internationally recognised Natural Capital Protocol across the entire 23,000-hectare Glenlivet Estate, an upland tenant farm, and a lowland arable business on the Fochabers Estate. The final report from this trial will inform how farmers can potentially use a natural capital approach to inform

what they do.¹⁹ In 2019-20 we are carrying out further trials, extending to the dairy sector, and exploring how we can use it to inform management of Scottish Crown Estate land.

We are developing a framework (The Value Project) to measure and monitor social, economic and environmental impacts of our business decisions. The outputs of this work will be incorporated into the organisation's strategic and decision-making processes and used to monitor our ongoing contribution to generating lasting value for Scotland. We hope this project will be helpful not just for Crown Estate Scotland but for other asset managers in the public, private and third sectors.

Environment Assessment (Scotland) Act 2005

As a public body subject to the Environment Assessment (Scotland) Act 2005, we gauged the likely effects of our 2017-20 Corporate Plan on the environment in accordance with the criteria in Schedule 2 of the Act, concluding that the Plan was exempt under schedule 7 of the Act. In 2018-19, we conducted a Strategic Environmental Assessment (SEA) for our draft Investment Strategy. The feedback from this SEA has fed into a new investment strategy which forms part of the draft 2020-23 Corporate Plan. This will be subject to consultation and further statutory assessments in 2019-20 before being launched in 2020-21.

Office operations

Our recycling and waste to landfill for 2018-19 is as follows. We have cited 2017-18 in brackets for comparison.

Measures in place to reduce the environmental impact of our direct operations focus on reducing landfill waste and minimising single use plastics. The pool car is a hybrid model.

The Glenlivet Estate office, which is also a visitor centre, has an electric vehicle charging point for public use and has been awarded the highest Green Tourism Gold Award by VisitScotland.

2018-19 saw us improve our recycling at our Edinburgh office facilities, with different types of materials being collected and clearer signage for staff in place.

More staff and partners are using both offices. This has led to increases in weight of recycled materials. A change in recording at Glenlivet to include waste from ranger activities has led to an increase in landfill.

Table 9: 2018-19 weight of materials collected for recycling and landfill

Office	Recycled (kg) (2017-18)	Landfill (kg) (2017-18)
Edinburgh	2679 (2489)	2070 (6420)
Glenlivet	261.5 (174)	175 (90)



**Simon Hodge, Chief Executive,
Crown Estate Scotland (Interim Management)**

14 August 2019

¹⁹ Available at www.crownestatescotland.com/maps-and-publications/download/194

3

Governance

Governance

This section explains the composition and organisation of Crown Estate Scotland's governance structures and how they support the achievement of our objectives.

3.1 Members' Report

Crown Estate Scotland is led by a Board comprising a Chair and up to eight other members, who are all appointed by Scottish Ministers. The current members are:

- Amanda Bryan (Chair)
- Dr Michael Foxley
- Andrew Macdonald (reappointed 1 May 2019)
- Robert Mackenzie
- Richard Morris (reappointed 1 May 2019)
- Hugh Raven
- Alister Steele MBE (reappointed 1 May 2019)
- Jean Lindsay (appointed 1 May 2019)
- Liz Leonard (appointed 1 May 2019)

Board members require to demonstrate appropriate levels of independence and objectivity. Members have, to the best of

their knowledge, declared any conflict of interest to the Board and have disclosed in a Register of Interests details of any directorships, appointments or significant interests which may conflict with their role on the Board of Crown Estate Scotland.

As an organisation, Crown Estate Scotland is committed to equality and diversity and the Board signed the Scottish Government's Partnership for Change pledge on Board gender balance by 2020.

The role of the Board is set out in the Framework Document. The Board has set clearly defined delegations to its two committees, Audit & Risk Committee and Investment Committee, and to the Executive Team through a Scheme of Delegation.

A self-evaluation of the performance of the Board and of individual members was undertaken in 2018-19.

3.2 Statement of Accounting Officer's Responsibilities

As Accountable Officer, I confirm that the annual report and accounts are fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and for the judgements required to determine that it is fair, balanced and understandable.

I have taken all steps that I ought to have to ensure that I am aware of any relevant audit information and to establish that the auditors are also made aware of this information. As far as I am aware, there is no relevant audit information of which the auditors are unaware.

3.3 Governance Statement

The Board has a collective responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of Crown Estate Scotland's policies, aims and objectives whilst safeguarding public funds and assets. As Accountable Officer and Chief Executive Officer, I am personally responsible for the duties specifically assigned to me including:

- ensuring the propriety and regularity of Crown Estate Scotland's finances and that there are sound and effective arrangements for internal control and risk management
- ensuring that the resources of Crown Estate Scotland are used economically, efficiently and effectively and that

appropriate arrangements are in place to secure Best Value for the organisation and to deliver Value for Money for the public sector as a whole

- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM
- signing the annual accounts and associated governance statements
- obtaining written authority from the Board / Chair before taking any action which they consider would be inconsistent with the proper performance of the Accountable Officer functions.

3.3.1 Governance Framework

Throughout the financial year, Crown Estate Scotland operated under an organisational structure with clearly defined lines of authority and accountability as set out in the Framework Document, the arrangements for Board and terms of reference for Audit & Risk Committee to provide:

- assurance to the Scottish Government that Crown Estate Scotland has in place an effective governance system, accountable to Scottish Ministers.
- transparency of the roles and responsibilities of the Board and the Audit & Risk Committee to demonstrate a shared governance agenda across Crown Estate Scotland to contribute to the achievement of the Scottish Government's Economic Strategy and National Performance Framework.
- assurance that the Board is focused on ensuring effective strategic leadership.
- assurance that there is a fully empowered Accountable Officer within Crown Estate Scotland, able to maximise productivity within a robust strategic framework.

As at the year end, the Board comprised seven non-executive members, including the Chair. It held seven Board meetings during the financial year to review Crown Estate Scotland's operational and financial performance compared to plan, business strategy and risk management as well as high level review and scrutiny of health and safety issues.

Crown Estate Scotland maintains an ongoing dialogue at all levels within Scottish Government. The Board met with the Cabinet Secretary for Environment, Climate Change and Land Reform to discuss future plans. The Chair and Chief Executive meet with officials from the Scottish Government to discuss a range of business issues and members of the Executive Team meet Scottish Government officials on a regular basis.

Reporting to the Board is the Chief Executive who has responsibility for the management of Crown Estate Scotland and the Audit & Risk Committee which scrutinises certain areas of activity in greater depth and makes recommendations to the Board as detailed below.

3.3.2 Audit & Risk Committee

The Audit & Risk Committee is chaired by Robert Mackenzie, a non-executive member with a business advisory and accountancy background and extensive public sector advisory and risk experience. Andrew Macdonald and Richard Morris were the other non-executive members who served on the Committee during the financial year.

The Committee review the financial reports of Crown Estate Scotland and consider the results of the External Auditor's opinion and review of the financial controls. It meets with management and with Internal and External Auditors to review the effectiveness of internal controls and business risk management.

The Committee adheres to the requirements of the Scottish Government's Audit Committee and Assurance Handbook.

Table 10: 2018-19 Board and Audit & Risk Committee attendance

Name	Board		Audit & Risk Committee	
	Held	Attended	Held	Attended
Amanda Bryan	7	7	-	-
Dr Michael Foxley	7	7	-	-
Andrew Macdonald	7	7	4	3
Robert Mackenzie	7	7	4	4
Richard Morris	7	5	4	3
Hugh Raven	7	6	-	-
Alister Steele MBE	7	7	-	-

3.3.3 Board and Committee performance

Formal annual evaluation processes are in place for all Board members. The Chair's evaluation is conducted by the Director of Marine Scotland.

Induction and training is provided for non-executive Board members and they are encouraged to participate in training offered by the Scottish Public Bodies Unit.

3.3.4 Compliance

Throughout the financial year and up to the date of approval of the Annual Report and Accounts, Crown Estate Scotland complied with the Framework Document for Crown Estate Scotland (Interim Management) issued in September 2017.

In addition, Crown Estate Scotland complied with the SPFM which sets out the relevant statutory, parliamentary and administrative requirements, unless amended by the Framework Document or by specific derogation or prior agreement with Scottish Government or as noted in this statement.

Crown Estate Scotland has in place a Code of Conduct for Board members, as approved by the Scottish Ministers. In compliance with the Ethical Standards in Public Life, etc. (Scotland) Act 2000, the Code of Conduct for Board members is published on our website, together with the Board members' Register of Interests.

3.3.5 Risk and internal control framework

As at 31 March 2019, a suite of risk management documents appropriate for the size of Crown Estate Scotland, covering operational management for all areas of the business were in place and remain so up to the date of approval of the Annual Report and Accounts.

There is strong commitment to continuous improvement to address document development, revision, compliance monitoring and internal audit methods and requirements going forward.

3.3.6 Approach to risk management

The SPFM requires all public bodies to maintain a risk management system which complies with its guidelines. Crown Estate Scotland has a risk management strategy, policy and processes framed in accordance with the SPFM.

The system of internal control that has been adopted is designed to manage rather than eliminate the risk of failure to achieve Crown Estate Scotland's aims and objectives. It can therefore only provide reasonable and not absolute assurance of complete effectiveness.

The risk management system includes processes for the identification, evaluation and mitigation of risk. Review and reporting of risk is undertaken at a strategic, operational and project level. Each identified risk has a designated owner and actions are taken to manage the risk accordingly.

As new or changed risks emerge they are identified, evaluated, reviewed for alignment with the business plan and escalated if appropriate. All strategic level risks are actively managed, reviewed and updated by the Executive Team and reported to the Audit & Risk Committee on a quarterly basis and to the Board on at least an annual basis or as deemed appropriate. More on strategic risk is in section 2.1.

3.3.7 Internal Audit

With effect from 1 April 2018 Crown Estate Scotland employed the services of independent auditors, Scott-Moncrieff, to report on the adequacy and effectiveness of Crown Estate Scotland's system of internal control together with recommendations for improvement.

The work of Internal Auditors will be informed by an analysis of the risk to which Crown Estate Scotland is exposed. An Internal Audit Plan for a 3-year period, including a detailed plan for the audits prioritised to be undertaken in 2018-19, was agreed with input from Audit & Risk Committee and the Executive Team.

During the year Scott Moncrieff carried out an audit into the financial activities and transactions carried out by Managing Agents on behalf of Crown Estate Scotland. These services are delivered by outsourced providers and members of staff. The findings were discussed with the organisation and action plans drawn up to implement the recommendations.

A procurement exercise will be carried out during 2019-20 seeking internal audit services. Further development of the Internal Audit Plan is intended to build on the work that has already been carried out and to give greater assurance and coverage of the control environment.

3.3.8 External Audit

The Auditor General for Scotland is responsible to the Scottish Parliament for securing the audit of the financial statements of Crown Estate Scotland. Grant Thornton UK LLP was appointed by the Auditor General for Scotland as the External Auditors for Crown Estate Scotland for the year ended 31 March 2019.

3.3.9 Personal Data Related Incidents

Crown Estate Scotland had no significant data-related incidents during 2018-19.

3.3.10 Public Services Reform (Scotland) Act 2010

In accordance with the Public Services Reform (Scotland) Act 2010, Crown Estate Scotland will publish the information on expenditure and certain other matters as required on the Crown Estate Scotland website (www.crownestatescotland.com) following the publication of the Annual Report and Accounts 2018-19.

3.3.11 Conclusion

As Accountable Officer I can confirm that I am fully content with the effectiveness of Crown Estate Scotland's existing arrangements to ensure appropriate standards of corporate governance and effective risk management.



Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)
 14 August 2019

3.4 Remuneration and Staff Report

Remuneration Policy

The remuneration policy governing our management and employees is set by the Board. The Scottish Ministers are responsible for approving Crown Estate Scotland's remuneration policy

Service Contracts

Our employees are crown servants. Crown Estate Scotland does not operate a remuneration committee however the terms and conditions of service applicable to the Chief Executive and Accountable Officer are subject to a separate approval exercise. The remuneration elements of this appointment are subject to the approval of the Scottish Government at the outset and annually, in line with the Scottish Government's Public Sector Pay Policy for Senior Appointments.

Board members are appointed by the Scottish Ministers in accordance with the Crown Estate Scotland (Interim Management) 2017 Order and in line with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, as issued by the Commissioner for Ethical Standards in Public Life in Scotland.

Remuneration of the Board *(subject to audit opinion)*

	Fees £'000 2018/19	Fees £'000 2017/18
Amanda Bryan (Non-executive member, Chair of the Board)	25-30	25-30
Dr Michael Foxley (Non-executive member)	0-5	0-5
Andrew Macdonald (Non-executive member)	0-5	0-5
Robert Mackenzie (Non-executive member, Chair of the Audit & Risk Committee)	0-5	0-5
Richard Morris (Non-executive member)	0-5	0-5
Hugh Raven (Non-executive member)	0-5	0-5
Alister Steele MBE (Non-executive member, Chair of the Investment Committee)	0-5	0-5

Board members did not receive any benefits in kind, bonuses or performance related pay. All members noted above served throughout the financial year.

Remuneration and pension benefits of the Chief Executive

Simon Hodge succeeded Ronnie Quinn as Chief Executive and Accountable Officer. Mr Quinn left Crown Estate Scotland on 31 March 2018 and Mr Hodge joined on 11 April 2018.

	Salary £'000	Pension Benefits* £'000	Total £'000
Simon Hodge	101	167	268

*The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

	Accrued pension at pension age as at 31.03.19 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31.03.19 £'000	CETV at 31.03.18 £'000	Real increase in CETV £'000
Simon Hodge	45-50 plus a lump sum of 125-130	7.5-10 plus a lump sum of 22.5-25	1,018	767	158

During the prior year to 31 March 2018 Crown Estate Scotland entered into an agreement with Ronnie Quinn, the terms of which provided that a payment in compensation for loss of office would be payable, subject to the fulfilment of certain conditions. In April 2018 these conditions were satisfied and a payment of £94,425 made.

Salary

Salary includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued costs to Crown Estate Scotland and thus recorded in these accounts.

Bonuses

Most members of staff are contractually eligible to participate in a discretionary bonus scheme that may operate from time to time. Bonuses are based on performance levels attained and are awarded as part of Crown Estate Scotland's appraisal process. They relate to performance in the 12 months ended 31 March 2019 and a sum of £125,469 has been included as an accrual in the financial statements. Bonuses are payable following the end of the financial year.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind provided during the period.

Exit packages

Other than the payment to Ronnie Quinn for compensation for loss of office there were no exit packages agreed or paid during the financial year.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Civil Service Pensions

Pension benefits are provided through Civil Service Pensions. Further details can be found at: www.civilservice.gov.uk/pensions.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. As a result, we are unable to identify our share of underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2015. Further details can be found in the resource accounts of the Cabinet Office Civil Superannuation at: www.civilservicepensionscheme.org.uk/about-us/resource-accounts

During the 12 months ended 31 March 2019 employers' contributions of £467,586.20 were payable to PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions typically every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018/19 to be paid when the member retires, not the benefits paid during this period to existing pensioners.

Fair Pay Disclosure *(subject to audit opinion)*

	2018/19	2017/18
Band of highest paid employee's total remuneration £'000	100-105	180-185
Remuneration range £'000	18-104	18-182
Median total remuneration of all employees £	45,741	47,391
Ratio	2.24	3.85

Total remuneration includes salary and bonus payments. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Staff Report

As at 31 March 2019 there were 43 staff in post and seven non-executive members. The split by seniority and gender is detailed below for the total number of persons employed, and by the average number of full time equivalent persons employed.

Staff Numbers and Gender Composition

	Head Count 2018/19		Head Count 2017/18		Permanent Staff FTE 2018/19		Permanent Staff FTE 2017/18	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	6	1	6	1	n/a	n/a	n/a	n/a
Senior Management	3	2	2	2	3	2	2	2
Other Employees	19	19	15	16	18	18	15	16

Amanda Bryan, Crown Estate Scotland's Chair, has expressed her commitment to improving the gender balance of the Board, as circumstances allow.

Permanent staff includes staff employed on fixed term contracts. Crown Estate Scotland occasionally engages agency staff in relation to short-term projects or vacancy cover. There were no agency staff in place at 31 March 2019.

Staff Costs *(subject to audit opinion)*

	2018/19 £m	2017/18 £m
Wages and salaries	2.1	1.9
Social security costs	0.2	0.2
Other pension costs	0.4	0.3
Total costs	2.7	2.4

Sickness Absence Data

Our level of sickness absence for 2018-19 was 4.7 average working days lost (AWDL) (2017-18 - 2.9). Adjusting for incidences of long-term sickness the average number of days lost per employee was 1.6 days (2017-18 - 1.4 days).

Staff Policies

We are committed to eliminating discrimination and encouraging equality and diversity amongst our workforce.

We comply with the duty in the Equality Act 2010 to, in the exercise of our functions, have regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

We oppose all forms of unlawful and unfair discrimination.

Our equality and diversity policy states our commitment to:

- creating an environment in which individual differences and the contributions of all our employees are recognised and valued;
- encouraging a working environment that promotes equality and diversity;
- no form of intimidation, bullying or harassment being tolerated whether direct, indirect, associative or by perception;
- offering training, development and progression opportunities to all of our employees;
- recognising the varied contributions that a diverse workforce makes to the business;
- reviewing all employment practises and procedures to ensure fairness; and
- ensuring compliance with the Equalities Act 2010.



Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)
14 August 2019

3.5 Parliamentary Accountability and Audit Report

Regularity of Expenditure

In all material respects the expenditure and income in the accompanying financial statements were incurred or applied in accordance with the Crown Estate Act 1961 (as amended) and guidance issued by the Scottish Ministers.

Losses and Special Payments

Other than trade debts provided for during the year, as reported in note 21 of these financial statements, Crown Estate Scotland did not incur designated losses or make any other special payments during the 2018-19 financial year.

Fees and Charges

The Crown Estate Act 1961 provides that best consideration in money, or money's worth, must be achieved for any sale, lease or other form of disposal of Crown Estate assets or rights. In practice this means obtaining the optimum market value and terms for lease, sale and other transactions undertaken in the course of the management of the assets.

Where possible to do so, Crown Estate Scotland seeks to recover its transactional costs from the other transacting party.

Remote Contingent Liabilities

Crown Estate Scotland did not have any contingent liabilities as at 31 March 2019.



Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)
14 August 2019

4

Financial statements

Financial statements

Independent auditor's report to the members of Crown Estate Scotland (Interim Management), the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Crown Estate Scotland (Interim Management) for the year ended 31 March 2019 under the Crown Estate Act 1961 (as amended). The financial statements comprise the Statements of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Capital and Reserves and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with section 2(5) of the Crown Estate Act 1961 (as amended) and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Crown Estate Act 1961 (as amended) and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 13 November 2017. The period of total uninterrupted appointment is two years. We are independent of the body in accordance with the ethical

requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Crown Estate Act 1961 (as amended) and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Analysis for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Crown Estate Act 1961 (as amended) and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Crown Estate Act 1961 (as amended) and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.
- We have nothing to report in respect of these matters.


We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Joanne Brown, for and on behalf of Grant Thornton UK LLP

16 August 2019

110 Queen Street,
Level 8
Glasgow
G1 3BX

4.1 Statements of comprehensive income

For the year ended 31 March 2019

Revenue account

	Note	2018/19 £m	2017/18 £m
Revenue	6	19.0	16.4
Costs	7	(6.0)	(5.8)
Operating profit		13.0	10.6
Investment income	10	0.1	-
Net operating profit before depreciation, capital transfer agreements and Statutory transfers		13.1	10.6
Depreciation of tangible fixed assets	19	(0.2)	(0.2)
Net operating profit before capital transfer agreements and Statutory transfers		12.9	10.4
Recovery of capital expenditure under the Crown Estate Act 1961 and by capital transfer agreements	11	(1.3)	(1.3)
Statutory transfers	14	(0.2)	(0.1)
Net consolidated revenue account profit		11.4	9.0
Statement of comprehensive income of the revenue account			
Net revenue account profit - distributable to the Scottish Government Consolidated Fund		11.4	9.0
Total comprehensive revenue account profit		11.4	9.0

Capital account

	Note	2018/19 £m	2017/18 £m
Revenue	6	-	-
Charge from revenue for salary costs	9	(0.7)	(0.7)
Capital impairment	20	(2.1)	-
Net revaluation gains in property and investments (including profit/(loss) on disposal)	12	83.5	54.1
Capital profit before capital transfer agreements and Statutory Transfers		80.7	53.4
Recovery of capital expenditure under the Crown Estate Act 1961 and by capital transfer agreements	11	1.3	1.3
Statutory transfers	14	0.2	0.1
Net capital account profit		82.2	54.8
Statement of comprehensive income of the capital account			
Net capital account profit		82.2	54.8
Items that will not be reclassified subsequently to the capital account:			
Deficit on revaluation of owner occupied properties	12	-	-
Total comprehensive capital account profit		82.2	54.8

4.2 Statement of financial position

As at 31 March 2019

	Note	2018/19 £m	2017/18 £m
Assets			
Non-current assets			
Investment properties	16	385.8	324.6
Owner occupied property	17	-	-
Plant and equipment	19	0.5	0.6
Receivables due after one year	20	7.6	10.1
Total non-current assets		393.9	335.3
Current Assets			
Inventory		0.1	0.2
Trade and other receivables	21	8.0	7.8
Cash and cash equivalents	22	40.1	10.9
Total current assets		48.2	18.9
Total assets		442.1	354.2
Liabilities			
Current Liabilities			
Payables - amounts falling due within one year	23	9.7	10.0
Total current liabilities		9.7	10.0
Payables - amounts falling due after more than one year	23	6.0	-
Total liabilities		15.7	10.0
Net assets		426.4	344.2
Capital and reserves			
Capital reserve		426.4	344.2
Revaluation reserve		-	-
Total capital and reserves		426.4	344.2



Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)
 14 August 2019

4.3 Cash Flow Statement

For the year ended 31 March 2019

	Note	2018/19 £m	2017/18 £m
Cash generated from operating activities			
Net operating profit – consolidated revenue account		12.9	10.4
(Increase)/decrease in receivables		(0.2)	0.1
Increase/(decrease) in payables		6.1	0.3
(Increase)/decrease in provisions		0.1	(0.2)
Interest received		0.1	-
Depreciation and impairment		0.2	0.2
Net cash flow from operating activities		19.2	10.8
Cash flows from investing activities			
Capital expenditure on investment properties		(4.2)	(2.9)
Proceeds from disposal of investment properties		5.9	5.0
Proceeds arising from overage events on investment property agreements		19.7	-
Other capital receipts		0.4	2.5
Net cash flow from investing activities		21.8	4.6
Cash flows from financing activities		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents before Scottish Government Consolidated Fund payment		41.0	15.4
Scottish Government Consolidated Fund payment		(11.8)	(4.5)
Increase in cash in the year after Scottish Government Consolidated Fund payment		29.2	10.9
Cash and cash equivalents at start of the year		10.9	-
Cash and cash equivalents at end of the year	22	40.1	10.9

4.4 Statement of changes in capital and reserves

For the year ended 31 March 2019

	Revenue Account	Capital Account		Total
	Revenue reserve available for distribution to the Scottish Government Consolidated Fund £m	Capital Reserve £m	Revaluation Reserve £m	£m
As at 1 April 2018	-	344.2	-	344.2
Net profit for the financial year	11.4	82.2	-	93.6
Introduction of capital	-	-	-	-
Other comprehensive income	-	-	-	-
Revaluation deficit of owner occupied properties	-	-	-	-
Total comprehensive profit for the year ended 31 March 2019	11.4	82.2	-	93.6
Due to the Scottish Government Consolidated Fund – paid in year	(7.3)	-	-	(7.3)
Due to the Scottish Government Consolidated Fund – payable	(4.1)	-	-	(4.1)
As at 31 March 2019	-	426.4	-	426.4

4.5 Notes to the financial statements

1. Basis of preparation

The Crown Estate Scotland Order (Interim Management) 2017 requires that the body's initial financial year reflect the period from the date on which the legislation came into effect, 16 February 2017, to 31 March 2018. The management of the Crown Estate in Scotland was transferred to Crown Estate Scotland on 1 April 2017 – prior to that date the entity did not trade nor acquire any assets or liabilities. References in the financial statements to results for the year ended 31 March 2018 therefore also equate to results for the period from 16 February 2017 to 31 March 2018.

These financial statements have been prepared on a going concern and an accruals basis under the historic cost convention, modified to include investment properties, owner occupied properties and other investments at fair value. They are prepared in accordance with section 2(5) of the Crown Estate Act 1961 (as amended by the Scotland Act 2016) and with directions made thereunder. These accounts have been prepared in compliance with the principles and disclosure requirements of the HM Treasury Financial Reporting Manual (FRM), which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The accounts will, so far as appropriate, comply with the SPFM and the accounts direction issued by the Scottish Ministers under the Crown Estate Act 1961 (as amended).

The particular policies adopted by Crown Estate Scotland are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts are prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in *International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors*.

Impact of the Crown Estate Act 1961 on the financial statements

Crown Estate Scotland is a body corporate regulated by Statute and domiciled in the United Kingdom. The provisions of the Crown Estate Act 1961, specify certain distinctions between capital and revenue reflecting the Report of the Committee on Crown Lands before the Act was passed, to the effect that Crown Estate Scotland resembles a trust, in which the revenue beneficiary is the Scottish Government Consolidated Fund and the capital is held for Her Majesty and Her Successors. Section 2(4) of the Act requires capital and revenue to be distinguished in the accounts and for provision to be made for recovering capital expenditure from revenue where appropriate and the accounts are prepared on that basis.

The section then specifies that:

- any sum received by way of premium on the grant of a lease shall be carried to the revenue account if the lease is for a term of 30 years or less and to the capital account if the lease is for a term exceeding 30 years; and
- net earnings from mineral workings shall be carried one half to the capital account and one half to the revenue account.

To meet the requirements of the Crown Estate Act 1961, and directions made by the Scottish Ministers, the movements in comprehensive income are analysed between revenue and capital accounts. The capital account includes profits or losses arising on the sale of investment properties, the realisation of revaluation gains, the income arising on the grant of operating leases over land in exchange for a premium, the charge from revenue for salary costs, and the transfers between the capital and revenue account as required by Statutory provisions and capital transfer agreements. IFRS cannot be complied with in one respect due to the Crown Estate Act 1961. Where a lease premium is received in respect of an operating lease of less than 30 years the Crown Estate Act 1961 requires that the income is taken direct to the revenue account. This conflicts with the treatment required under IFRS, which requires such income to be spread over the lease term. However the impact is not regarded as material.

Treasury agreements

The Crown Estate Act 1961 allows adjustments between revenue and capital specifically for the purposes of recouping capital expenditure out of revenue. As Crown Estate Scotland is restricted in its ability to borrow, capital transfer agreements provide Crown Estate Scotland with a reliable and predictable source of capital. By agreement with the Scottish Ministers, the mechanism by which the revenue account is charged is calculated as an amount equivalent to 9 per cent of the previous year's gross revenue and after taking into account depreciation of plant and equipment. As 2017/18 was the first year of trading for Crown Estate Scotland the Scottish Ministers agreed that the calculation for that year be based on the actual turnover achieved within the year.

Changes in accounting policies in year

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. IFRS 15 – Revenue from contracts with customers and IFRS 9 – Financial Instruments came in to force with effect from the current financial year. No other financial standards have been adopted during the financial year.

Events after the reporting period

There were no events after the reporting period that require disclosure.

2. Significant accounting policies

2a. Properties

Properties are valued by independent external valuers at the balance sheet date. The valuations have been carried out in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

Fair value measurement of investment property

IFRS 13 requires the use of valuation techniques for which sufficient data are available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used. For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Level 1: unadjusted quoted prices in active markets
- Level 2: observable inputs other than quoted prices included within Level 1
- Level 3: unobservable and observable inputs where significant adjustments have been applied.

Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties and those in the course of construction are held at fair value. They are valued on the basis of open market value. When Crown Estate Scotland begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. Marine and mineral assets are valued only where a letting or licence exists, where an entry has occurred, or where an interest is expected to provide either a revenue cash flow or capital receipt within the foreseeable future. Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties consist of costs of a capital nature. At the balance sheet date investment properties are revalued to fair value. Any surplus or deficit arising on revaluing investment properties is recognised in the consolidated capital account.

Investment properties under development

Investment properties under development comprise properties subject to a major programme of redevelopment or development. They are categorised as such from the start of the programme until practical completion.

Owner occupied properties

Any surplus or deficit arising on the revaluation of properties occupied by Crown Estate Scotland is taken to revaluation reserve unless any loss in the period exceeds any cumulative gains previously recognised in the revaluation reserve. In this case the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the consolidated capital account. These properties include a Countryside Rangers' centre on the Glenlivet estate and a work store on the Fochabers estate.

Disposals

Disposals are recognised at the date of legal completion. Profits and losses arising on disposal are recognised through the consolidated capital account. The profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period and costs of sale. Properties are transferred between categories at the estimated market value on the date of transfer.

2b. Inventories

Inventories comprises timber that has been felled but not removed from site by the purchaser and title has not passed from Crown Estate Scotland. The valuation of inventories is assessed, taking into account the final sales value and the relevant stage of the timber harvesting.

2c. Leases

Crown Estate Scotland as lessor – operating leases

Leases granted to tenants where substantially all the risks and rewards of ownership are retained by Crown Estate Scotland as lessor are classified as operating leases. Where a premium is received in exchange for the grant of a long leasehold interest, the premium is taken to deferred income and released to revenue in the consolidated capital account over the life of the lease. Under the requirements of the Crown Estate Act 1961 a lease premium received on the grant of a lease with a lease term of 30 years or less is taken to revenue in the consolidated revenue account in the year that it is granted.

Crown Estate Scotland as lessee – finance leases

Leasehold properties are recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

2d. Other property, plant and equipment

These assets are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

- Vehicles: 4-10 years depending on the nature of the vehicle
- Plant and Machinery: 4-25 years (pontoons are included in this category and have a useful life of 25 years)
- Computer equipment: 4 years
- Fixtures and Fittings: 4 years
- Office equipment: 4 years

Useful lives and estimated residual values are reviewed annually.

2e. Revenue

Revenue is recorded net of VAT and represents the total value of:

Rental income

Rental income is recognised on a straight-line basis over the term of the lease. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of the lease commencement to the earliest termination date.

Royalties

Royalty income is received in return for the extraction of minerals, including aggregates, from the land and seabed.

Other income

Other income categories comprise income from lease premiums received on the grant of a lease with a lease term of 30 years or less, the sale of produce, miscellaneous fees and sundry income.

2f. Taxation

Crown Estate Scotland is not subject to corporation, income or capital gains tax. The revenue profit is paid to the Scottish Government Consolidated Fund and will be used for the benefit of the taxpayer.

2g. Banking

Crown Estate Scotland operates a number of bank accounts, ensuring separation of revenue and capital funds. This arrangement is allowable under the Crown Estate Scotland (Interim Management) Order 2017.

2h. The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. Crown Estate Scotland is unable to identify its share of the underlying assets and liabilities and as such has accounted for the scheme as a defined contribution scheme. A full actuarial valuation was carried out as at 31 March 2015. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts).

3. Significant judgements, key assumptions and estimates

3a. Trade receivables

The basis of arriving at the provision for impairment of receivables is as follows:

For both rental and non-rental debts the managing agents responsible for the dealing are instructed to review each debt and advise as to its recoverability. Management centrally also review the exposure to different market sectors and make further provision where there is objective evidence of impairment.

3b. Unsettled rent reviews

Where the rent review date has passed, and the revised annual rent has not been agreed, rent is accrued from the date of the rent review based upon the estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.

3c. Operating leases

Judgement has been exercised in identifying that in all material respects, where Crown Estate Scotland is the lessor such leases are operating leases. In exercising this judgement, consideration has been given to the nature and economic life of the buildings which are all held within investment properties, and whether the risks and rewards of ownership remain with Crown Estate Scotland. In instances where a premium has been received on the grant of a long lease the same considerations have been applied. In instances where a long lease has been granted in exchange for a premium and the building is 'substantial' in nature, the useful economic life of the building is judged to be greater than the lease length regardless of the lease term.

3d. Property valuations

Investment properties and owner occupied properties are shown at fair value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income.

4. Changes in accounting policies not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations were issued but not yet adoptive. IFRS 16 – Leases is effective from the financial year ending 2019-20. The projected impact of this is not expected to be material.

5. Segmental Analysis

Business segmental analysis

All Crown Estate Scotland's operations are in Scotland and are currently organised into five operating divisions. The divisions are: Rural, Coastal, Marine, Urban and Corporate. These divisions are the basis on which Crown Estate Scotland monitors its operations and upon which decisions are made by the Board.

Revenue Account

							Year ended 31 March 2019	Year ended 31 March 2018
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Rent and royalties	6	3.3	3.9	10.1	0.9	-	18.2	16.2
Produce	6	0.8	-	-	-	-	0.8	0.2
Revenue		4.1	3.9	10.1	0.9	-	19.0	16.4
Direct costs:								
Management fees and costs	7	(0.8)	(0.6)	(0.1)	-	-	(1.5)	(1.5)
Repairs and maintenance	7	(0.4)	-	-	-	-	(0.4)	(0.3)
Other direct expenditure	7	(0.8)	(0.2)	(0.3)	(0.1)	-	(1.4)	(1.5)
Total direct costs		(2.0)	(0.8)	(0.4)	(0.1)	-	(3.3)	(3.3)
Gross profit/(loss)		2.1	3.1	9.7	0.8	-	15.7	13.1
Indirect costs:								
Administrative expenses	8	-	-	-	-	(2.7)	(2.7)	(2.5)
Total indirect costs		-	-	-	-	(2.7)	(2.7)	(2.5)
Operating profit/(loss)		2.1	3.1	9.7	0.8	(2.7)	13.0	10.6
Investment revenue	10	-	-	-	-	0.1	0.1	-
Net operating profit/(loss) before depreciation, capital transfer agreements and Statutory transfers		2.1	3.1	9.7	0.8	(2.6)	13.1	10.6
Depreciation of tangible fixed assets	19	-	-	-	-	(0.2)	(0.2)	(0.2)
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		2.1	3.1	9.7	0.8	(2.8)	12.9	10.4
Recovery of capital expenditure under the Crown Estate Act 1961 and Crown Estate Scotland (Interim Management) Order 2017	11	-	-	-	-	(1.3)	(1.3)	(1.3)
Statutory transfers	14	-	-	-	-	(0.2)	(0.2)	(0.1)
Net revenue account profit/(loss) distributed to the Scottish Government Consolidated Fund		2.1	3.1	9.7	0.8	(4.3)	11.4	9.0

Capital Account

							Year ended 31 March 2019	Year ended 31 March 2018
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Income from sale or leases	6	-	-	-	-	-	-	-
Charge from revenue account for salary costs	9	(0.1)	-	(0.5)	-	(0.1)	(0.7)	(0.7)
Capital impairment	20	-	-	(2.1)	-	-	(2.1)	-
Net revaluation gain/loss on investment property (including profit/(loss) on disposal)	12	2.0	0.5	81.6	(0.6)	-	83.5	54.1
Capital profit before capital transfer agreements and Statutory Transfers		1.9	0.5	79.0	(0.6)	(0.1)	80.7	53.4
Recovery of capital expenditure under the Crown Estate Act 1961 and Crown Estate Scotland (Interim Management) Order 2017	11	-	-	-	-	1.3	1.3	1.3
Statutory transfers	14	-	-	-	-	0.2	0.2	0.1
Net capital account profit		1.9	0.5	79.0	(0.6)	1.4	82.2	54.8

Consolidated Statement of Financial Position

							Year ended 31 March 2019	Year ended 31 March 2018
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Non-current assets:								
Investment properties	16	123.2	33.1	213.4	16.1	-	385.8	324.6
Owner occupied property	17	-	-	-	-	-	-	-
Plant and equipment	19	-	0.4	-	-	0.1	0.5	0.6
Receivables due after one year	20	0.3	-	7.3	-	-	7.6	10.1
Total non-current assets		123.5	33.5	220.7	16.1	0.1	393.9	335.3
Unallocated current assets							48.2	18.9
Unallocated liabilities							(15.7)	(10.0)
Net assets							426.4	344.2
Acquisitions and capital expenditure	16	4.4	0.1	0.7	-	0.1	5.3	278.6

6. Revenue

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Revenue account		
Rent and royalties	18.2	16.2
Produce	0.8	0.2
Total revenue reflected in the revenue account	19.0	16.4
Capital account revenue		
Revenue – amortisation of income from grant of lease premia	-	-

7. Costs

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Management fees and costs	1.5	1.5
Repairs and maintenance	0.4	0.3
Other direct expenditure	1.4	1.5
Administrative expenses (see note 8)	2.7	2.5
Total costs reflected in revenue account	6.0	5.8

8. Administrative Expenses

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Members' remuneration	0.1	0.1
Management and administration expenses	2.6	2.4
	2.7	2.5

Auditors' remuneration of £63,050 is included within Management and administration expenses. This is split between internal audit, £30,000, and external audit, £33,050.

9. Staff Costs

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Wage and salaries	2.1	1.9
Social security costs	0.2	0.2
Pension costs defined benefit scheme	0.4	0.3
Total staff costs	2.7	2.4
Less staff costs charged to capital account	(0.7)	(0.7)
Staff costs reflected in the revenue account	2.0	1.7
Included in:		
Administrative expenses	1.3	1.0
Direct costs	0.7	0.7
Charged to the capital account	0.7	0.7
	2.7	2.4
	Number	Number
The average number of employees during the year	41	36

10. Investment Income

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Bank interest receivable	0.1	-

11. Recovery of capital expenditure under the Crown Estate Act 1961, The Crown Estate Scotland (Interim Management) Order 2017 and by capital transfer agreement

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
By agreement with the Scottish Ministers the income account is charged with an amount as disclosed in note 1		
Total recovered from the capital account	1.3	1.3
Depreciation of fixed assets charged as costs in the income account	0.2	0.2
Total recovered under capital transfer agreements	1.5	1.5

12. Net revaluation gains in property and investments (including profit/(loss) on disposal)

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Reflected in the capital account:		
Surplus on revaluation of investment properties	62.0	51.7
Adjustment for gross up for deferred rent movement	-	-
Gain on disposal of investment properties and overage events on investment property agreements	21.5	2.4
Deficit on revaluation of owner occupied properties	-	-
Net revaluation gains on investment property (including profit/(loss) on disposal)	83.5	54.1

13. Financial Instruments

Under IFRS 7 “Disclosure & Presentation of Financial Instruments”, we are required to disclose information about the significance of financial instruments held over the year and the nature and extent of risks arising from those financial instruments. We are not exposed to the degree of financial risk faced by other business entities because of the way we are funded. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing us in undertaking our activities.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Financial Assets		
Long term receivables (note 20)	7.6	10.1
Trade receivables (note 21)	4.5	5.4
Other receivables (note 21)	0.3	0.1
Accrued income (note 21)	3.1	2.2
Cash and Cash Equivalents (note 22)	40.1	10.9
Prepayments (note 21)	0.1	0.1
	55.7	28.8

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Financial Liabilities		
Long term payables (note 23)	6.0	-
Trade payables (note 23)	0.1	0.1
Rents received in advance (note 23)	4.0	3.9
VAT and other taxes payable (note 23)	0.8	0.5
Accrued expenditure and deferred income (note 23)	0.6	0.6
Due to the Crown Estate Commissioners (note 23)	0.1	0.4
Due to the Scottish Government Consolidated Fund (note 23)	4.1	4.5
	15.7	10.0

Liquidity risk

Crown Estate Scotland is self-financing and a net contributor to the Scottish Government Consolidated Fund. Crown Estate Scotland's input to budget and outturn reporting is restricted to the amount of net profit contribution and the timing of payments to the Scottish Government. As a public organisation, and in accordance with the Crown Estate Scotland (Interim Management) (2017) Order, Crown Estate Scotland can request to borrow finances from the Scottish Government if required. Crown Estate Scotland's exposure to liquidity risks is therefore limited.

Fair values

Assets and liabilities are carried at fair value in the balance sheet. All investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13 (see note 18).

14. Statutory Transfers

Under the provisions of the Crown Estate Scotland (Interim Management) Order 2017 the following amounts are carried to the capital account from the revenue account. Gross annual income received, and the expenses incurred, from or in connection with mining leases or the working of mines or minerals are carried or charged one half to the capital account and one half to the revenue account.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Transfer from revenue account to capital account:		
Mining and/or mineral dealings	0.2	0.1

15. Scottish Government Consolidated Fund Payment

In accordance with section 1 of the Civil List Act 1952, the payment of hereditary revenues from Scottish assets is to be paid into the Scottish Government Consolidated Fund. £7.3million was paid to the Scottish Government prior to the year end and a further £4.1m is included within payables.

16. Investment Properties

Portfolio	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Fair value at 1 April 2018	123.9	32.5	151.5	16.7	-	324.6
Acquisitions	-	-	-	-	-	-
Capital expenditure	4.4	0.1	0.7	-	0.1	5.3
Capital receipts	(0.1)	-	(0.3)	-	-	(0.4)
Disposals	(5.0)	-	-	-	-	(5.0)
Revaluation	0.0	0.5	61.5	(0.6)	(0.1)	61.3
At closing valuation	123.2	33.1	213.4	16.1	-	385.8
Deferred income from lease premia received	-	-	-	-	-	-
Fair value at 31 March 2019	123.2	33.1	213.4	16.1	-	385.8

Included in deferred income from lease premia received is £41,059, amortised in accordance with the provisions of the Crown Estate Act 1961 (notes 1 and 23).

All investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The property portfolio was valued on 31 March 2019 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 18.

17. Owner occupied property

	£m	£m
Fair value at 1 April 2018	0.04	-
Capital expenditure	-	-
Revaluation	-	0.04
Fair value at 31 March 2019	0.04	0.04

Owner occupied properties are classified as Level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The property was valued on 31 March 2019 by Strutt & Parker, independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. Information about the fair value measurement of owner occupied properties is set out in note 18.

18. Fair value measurement of properties

For all investment property that is measured at fair value, the current use of the property is considered the highest and best.

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS Valuation – Professional Standards (The Red Book) January 2016 and VPGA 1 guidance therein regarding Valuation for inclusion in financial statements. Crown Estate Scotland provides data to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs, including market transactions for similar properties, to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the asset management team, the senior management team and the members. The annual valuation is presented to and is endorsed by the Investment Committee.

Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the consolidated balance sheet. All are considered as Level 3 in the fair value hierarchy.

Class of property	Fair value at 31 March 2019 £m	Predominant valuation technique	Key observable inputs	Range	Principal valuer
Rural and Coastal portfolio:					
Agricultural	101.6	Comparable/Investment	Proportion of vacant possession	48%-100%	Strutt & Parker
			Yield	2%-4%	
Coastal	33.1	Investment	Yield	6.5%-15%	Bidwells
Forestry	19.1	Comparable	Land value	£1,150-£3,300	Tim R Kirk
			Timber value	£300-£5,900	
Minerals	2.5	Investment	Yield	7%-25%	Wardell Armstrong
	156.3				
Marine portfolio:					
Renewables – Offshore Wind	163.0	Investment/DCF	Yield	4.5%-16%	JLL
			Discount rates	8%-25%	
Renewables – Wave & Tidal	0.2	DCF	Discount rates	10%-27.5%	Powis Hughes
Cables & Pipelines	24.1	Investment	Yield	6%-10%	Powis Hughes
Aquaculture	26.1	Investment	Yield	12.81%-17.81%	Savills
	213.4				
Urban portfolio:					
Offices	6.1	Investment	ERV	£24-£26 psf	JLL
			Yield	6.25% - 7%	
Retail	10.0	Investment	ERV	£190 psf ZA	JLL
			Yield	5.5%	
	16.1				
Total all portfolios at valuation	385.8				

Owner occupied property valued at £0.04m is included in Agricultural properties and valued on a vacant possession basis.

The fair value of investment property is determined using the following valuation methods:

Investment Method

The Investment Method has been used which involves estimating the rental value of each lettable unit within the property, making an assessment of void periods and other costs of letting and then capitalising at an appropriate rate. Hope value has been included where there is future reversionary potential, e.g. conversion of property for an alternative use.

Discounted cash flow (DCF)

This involves the projection of cash flows to which an appropriate market-derived discount rate, and an attrition rate if appropriate, is applied to establish the present value of the income stream.

Comparable method

An indication of value arrived at by comparing information of the subject asset with similar assets for which valuation data is available.

Wind farms

Each Round 1 and Round 2 wind farm has been valued individually using an 'all risk' yield applied to the minimum and budgeted rents, or the actual output, subject to an end allowance where appropriate. As a cross check, a discounted cash flow of projected revenue streams has been undertaken with appropriate discount rates for differing levels of status in the development programme.

Round 3 has been valued on a portfolio basis.

Strategic land

Hope value for strategic land is incorporated into the Rural portfolio, discounted to reflect the stage reached in the planning process.

Properties being redeveloped

The Residual Method has been adopted which involves calculating the potential value when the property has been completed (using the Investment Method) and then deducting the cost to complete the construction, achieve lettings and appropriate allowances for profit to compensate for the risk of carrying out the development.

Rural and residential properties

These are generally valued using the Comparable Method and cross checked with the Investment Method.

Sensitivity analysis

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the investment property are:

- Estimating the rental value of each lettable unit with evidence derived from other recent lettings in the property itself or similar properties nearby, making adjustments for size, specification, location and letting incentives.
- Estimating the length of time taken and the cost to let vacant space and the likelihood of lease renewals.
- Deciding the appropriate capitalisation rate to be applied derived from transactions of comparable properties.
- Choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure on rural and residential tenancies.
- For property under development the assessment of the value created on completion and the allowance for construction and letting costs to achieve that.
- Inclusion of hope value for a higher value use (e.g. strategic land and properties with potential for residential conversion) dependent upon the likelihood, time and cost of achieving that use.
- Allowance for the level of volatility on turnover related valuations e.g. aggregates, minerals and aquaculture.
- Assessment of functional lifespan of offshore assets e.g. cables and pipelines.
- Assessing the appropriate discount rate for offshore windfarms from site exclusivity through to a generating wind farm.

Significant increases/(decreases) in the ERV would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long term vacancy rate (or yield) would result in a lower/(higher) fair value measurement.

19. Plant and equipment

	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
2018/19						
Cost – opening balance	0.4	-	0.4	-	-	0.8
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost – closing balance	0.4	-	0.4	-	-	0.8
Depreciation – opening balance	0.1	-	0.1	-	-	0.2
Charge	0.1	-	0.1	-	-	0.2
Adjustment	(0.1)	-	-	-	-	(0.1)
Disposals	-	-	-	-	-	-
Total depreciation – closing balance	0.1	-	0.2	-	-	0.3
Net book value at 31 March 2019	0.3	-	0.2	-	-	0.5

	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
2017/18						
Cost – opening balance	-	-	-	-	-	-
Additions	0.4	-	0.4	-	-	0.8
Disposals	-	-	-	-	-	-
Cost – closing balance	0.4	-	0.4	-	-	0.8
Depreciation – opening balance	-	-	-	-	-	-
Charge	0.1	-	0.1	-	-	0.2
Adjustment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Total depreciation – closing balance	0.1	-	0.1	-	-	0.2
Net book value at 31 March 2018	0.3	-	0.3	-	-	0.6

20. Receivables due after one year

	As at 31 March 2019 £m	As at 31 March 2018 £m
Other receivables	7.6	10.1

Following an impairment review, an impairment of £2.1 was made to reflect the reduced realisable value of an investment in a development project. This impairment is capital in nature and is therefore reflected in the Capital Account.

21. Trade and other receivables

	As at 31 March 2019 £m	As at 31 March 2018 £m
Trade receivables	4.5	5.4
Other receivables	0.3	0.1
Prepayments	0.1	0.1
Accrued Income	3.1	2.2
	8.0	7.8

Trade and other receivables are shown after deducting provisions for bad and doubtful debts of £121,554. The trade receivable impairment reflects the application of Crown Estate Scotland's judgement in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value.

22. Cash and Cash Equivalents

	£m
Balance as at 1 April 2018	10.9
Net change in cash and cash equivalents	29.2
Balance as at 31 March 2019	40.1
The following balances were held within:	
Revenue account	1.9
Capital account	38.2
Balance as at 31 March 2019	40.1

23. Payables

	As at 31 March 2019 £m	As at 31 March 2018 £m
Amounts falling due within one year:		
Trade payables	0.1	0.1
Rents received in advance	4.0	3.9
VAT and other taxes payable	0.8	0.5
Due to the Crown Estate Commissioners	0.1	0.4
Due to the Scottish Government Consolidated Fund	4.1	4.5
Accruals and deferred income	0.6	0.6
	9.7	10.0
Amounts falling due after more than one year		
Deferred income on grant of long leases	6.0	-
	6.0	-

The Crown Estate Transfer Scheme 2017 transferred the existing Scottish functions of the Crown Estate to Crown Estate Scotland on 1 April 2017 from the Crown Estate Commissioners. The Scheme included provisions for the accounting of income and expenditure between the transferor and transferee. As at 31 March 2019 £0.1m was outstanding to the Crown Estate Commissioners.

During the period Crown Estate Scotland received a lease premium of £6m on a long lease. In line with the requirements of the Crown Estate Act 1961 (note 1) this will be amortised over the length of the lease.

24. Leasing

Operating leases with tenants

Crown Estate Scotland leases out all of its investment properties under operating leases for average lease terms of 15 years to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	As at 31 March 2019 £m	As at 31 March 2018 £m
Less than one year	2.0	2.0
Between two and five years	1.5	1.7
More than five years	8.7	9.0
	12.2	12.7

Contingent rents receivable were £1.8 million at 31 March 2019. Crown Estate Scotland has no obligations under finance leases.

25. Capital Commitments

At 31 March 2019 capital expenditure of £0.5m had been authorised but not yet committed.

26. Contingent Liabilities

As part of the ordinary course of business Crown Estate Scotland receives and deals with claims relating to some of the crown assets it manages. Based on the information available it is not considered that resolution of any of these claims will give rise to any material liabilities.

Crown Estate Scotland is not subject to any ongoing litigation.

27. Related Party Transactions

Certain Board members hold posts, or have interests, in other organisations with which Crown Estate Scotland transacts. The table below sets out details of the related parties and the transactions undertaken during the period to 31 March 2019.

Member	Organisation	Position held	Amounts receivable by Crown Estate Scotland £	Amounts payable by Crown Estate Scotland £	Nature of transaction
Amanda Bryan	Forestry Commission	Forestry Commissioner	2,650*	-	Rental income*
	Highlands and Islands Enterprise	Board member	9,265	-	Rental income
Richard Morris	Forestry Commission	Employee	*as above		*as above

28. Third party deposits

At 31 March 2019 Crown Estate Scotland held £104,283 of tenant deposits on behalf of third parties.



Crown Estate Scotland (Interim Management)

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in accordance with section 2 of the Crown Estate Act 1961, amended by the Scotland Act 2016, chapter 11, Part 4, section 36 hereby give the following direction:

1. The statement of accounts for the financial year ended 31 March 2018, and subsequent years shall, subject to schedule 1, comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM), which is in force for the period for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period of Crown Estate Scotland (Interim Management) in the exercise of its functions.
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers

Dated 4th July 2018

Accounts Direction

Schedule 1

To meet the requirements of the Crown Estate Act 1961, the movements in comprehensive income will be analysed between revenue and capital accounts. The statement of accounts will also reflect the transfers between capital and revenue account as required by Statutory provisions and capital transfer agreements.

In departure from International Financial Reporting Standards and the FReM, where a lease premium is received in respect of an operating lease of less than 30 years the Crown Estate Act 1961 requires that the income is taken direct to the revenue account.



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