



We invest in property, natural resources and people to generate lasting value for Scotland

OUR STRATEGIC OBJECTIVES

1.

Support the sustainable expansion of Scotland's Blue Economy, focusing on marine and coastal development

SEE PAGE 9

2.

Invest in buildings and help create great places

SEE PAGE 11

3.

Promote new sustainable ways of using natural resources to produce energy, food and other products

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Involve people in how land, coastline and seabed are managed

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Use our skills and knowledge to deliver financial success and help business and communities to thrive

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Introduction

Welcome to Crown Estate Scotland's fifth annual report.

Managing land and property spanning seabed, coastline, rural estates and more, we work to make sure that all the assets in our care deliver lasting benefits to Scotland and its people.

That work touches key sectors including renewable energy, aquaculture and farming, and ports & harbours, making it important to communities and businesses across the country.

In a year which saw Scotland begin its emergence from the COVID-19 pandemic and host the COP26 conference, our team has continued to support the sustainable growth of the Blue Economy and a just transition to a net zero Scotland.

In this report we outline what we delivered in 2021-22 and look at some of the opportunities and challenges which lie ahead.

Mairi McAllan MSP, Minister for Environment and Land Reform (left) is accompanied by Caroline Bell, Built Development Manager during a visit to the Whitehill Estate

1. Overview

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In this section we summarise 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 2021-22.



“
It's incredibly rewarding to see the positive impacts of our work play out.

Simon Hodge, Chief Executive

1.1 Statement from the Chief Executive

This has been a big year for Crown Estate Scotland. I'm immensely proud of each and every member of our small team who collectively have delivered so much for Scotland.

We have worked with communities around Scotland. We have supported a local energy plan for Islay, a community hub at Portgordon, and town centre regeneration in Kirkcaldy. We are investing in a community-led marina at Corpach and helping to develop local shellfish and seaweed farming businesses around our coasts. We have published asset profiles to guide how the Scottish Crown Estate is managed for the benefit of the people of Scotland, and we generated £15.7m for the Scottish Government, most of which will be distributed to coastal local authorities for community projects.

The list goes on, and it's incredibly rewarding to see the positive impacts of our work play out.

That work is informed by five strategic objectives, around which our business plans are built.

Perhaps our highest profile activity this year has been related to the first of those objectives: **supporting the sustainable expansion of Scotland's Blue Economy.**

We specifically designed the ScotWind offshore wind leasing round to attract investment to and deliver best value for Scotland. With 74 applications, it was arguably the most significant moment in Crown Estate Scotland's five years of existence when we announced the 17 winners, with aspirations for 25GW of capacity and initial commitments for over £25.5bn of investment in Scotland including in pioneering floating wind technology.

This was a huge achievement for our small team, but in the midst of it we suffered the devastating and sudden death of our Head of Energy & Infrastructure, John Robertson. He was greatly admired and is greatly missed by colleagues as well as by the energy & infrastructure sectors he served. I am immensely proud of the way the entire Crown Estate Scotland team worked tirelessly and as one to deliver ScotWind and so much more, despite this loss.

Beyond ScotWind, work to support the Blue Economy included:

- Developing a new offshore wind leasing opportunity to boost innovation and help decarbonise oil and gas production; and
- Completing a root-and-branch review of aquaculture leasing, which will ensure our rents reflect market value – securing maximum benefit for Scottish public spending – and require our tenants to report on participation in agreements to mitigate the cumulative impacts of their work and on the plastics that they use.

We have continued **investing in buildings and helping to create great places**, advancing our plans for the development of the ZeroFour hub near Montrose and beginning to speak and work with the local community. On the Whitehill Estate in Midlothian, we have started an in-depth community conversation with local people on their aspirations for the area to inform the type and scale of development.

To help deliver local priorities, we have several local authority partnerships in place including:

- North Ayrshire Council, focusing on regeneration in Irvine;
- Angus Council, to develop ZeroFour;
- The Highland Council, to realise the Fort William 2040 vision; and
- Orkney Islands Council, to develop port infrastructure to capture the local benefits of offshore wind.

All of these reflect our commitment to **involving people in how land, coastline and seabed are managed**.

We advanced our efforts to **promote new, sustainable ways of using natural resources** with the launch of our Innovation with Natural Resources Challenge Fund (one of three funds we have launched, with the others focusing on boat-based tourism and local partnerships). This fund asks applicants to bring forward investment opportunities to us, which involve their organisations using their own natural resources in a new manner. We hope that the scheme will encourage those with new ideas, such as vertical farming or local energy systems, to take steps toward realising them in communities across Scotland.

£15.7m

paid to the public purse

£59.6m

total paid to public purse over 5 years

£28.3m

paid by the Scottish Government to coastal local authorities from 2017-20 activity

The recently launched [Spatial Data Hub](#), developed by our GIS team over the course of the year, is a prime example of how we **use our skills and knowledge to deliver financial success and help business and communities to thrive**. Open access to the hub will allow users to build our stream of constantly updated data into their models and software applications, making Scottish Crown Estate assets easier for people and organisations across the world to understand and work with.

So much more has been achieved, including developing new opportunities for farming tenants to acquire their farms; the launch of two more investment challenge funds, supporting Boat Based Tourism and Partnerships, respectively; and running the second year of our Sustainable Communities Fund project, with an expanded budget to reflect its popularity.

On top of all this, the value of the Scottish Crown Estate is up to £568.2m, an increase of £112.6m on last year.

All in all, it has been an incredible year of delivery from an incredible team.

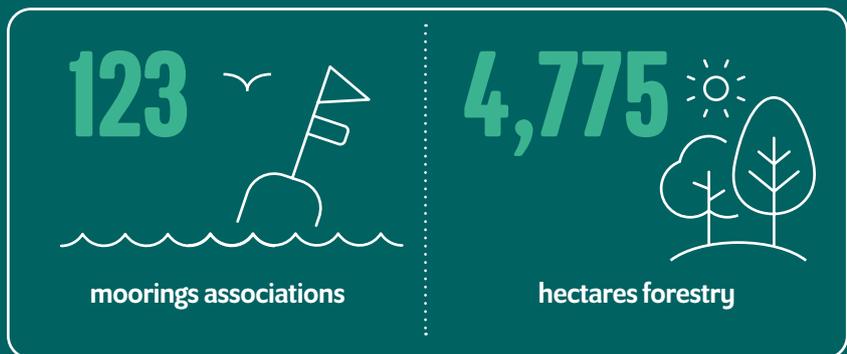
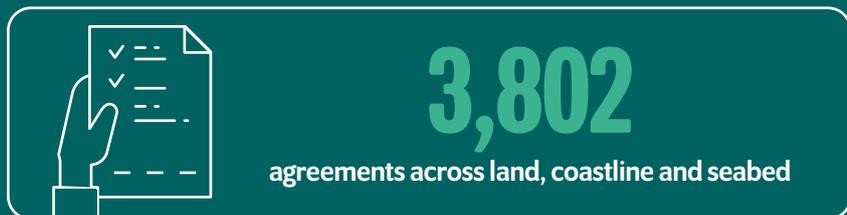
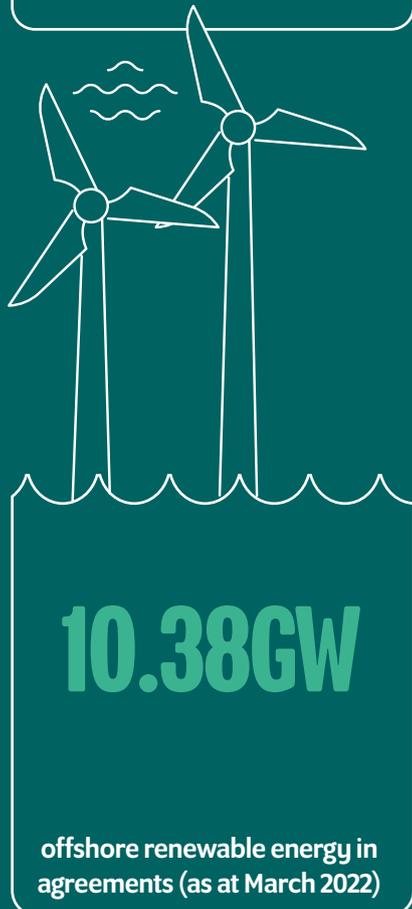
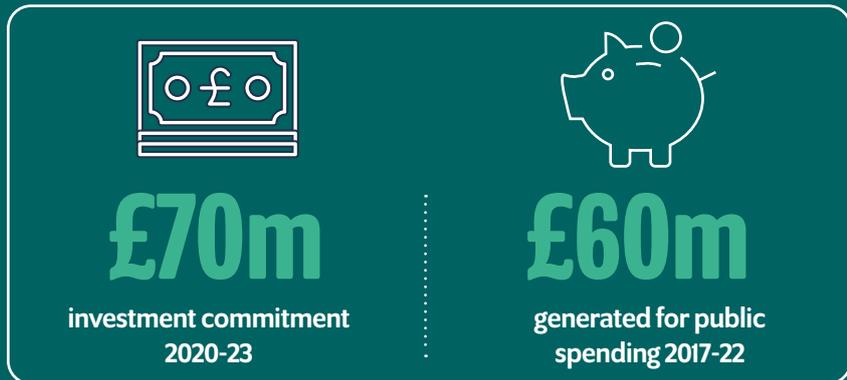
Given that this will be my last full year as Chief Executive I want to express my heart-felt thanks to all the team, our Board, and our delivery partners at Crown Estate Scotland. It has been a privilege to work with you and a source of deep satisfaction to be part of what Crown Estate Scotland is delivering for the people of our nation.



Simon Hodge

Chief Executive, Crown Estate Scotland
Friday, 12th August 2022

Crown Estate Scotland at a glance¹



¹ Figures as at 31 March 2022.



Colleagues gathered at Portobello for a beach clean event to mark Crown Estate Scotland's 5th anniversary.

1.2 Who we are and what we do

Crown Estate Scotland manages assets – seabed, coastline, rural estates and more – that stretch the length and breadth of Scotland. This section gives an overview about how we do that and what we aim to deliver.

Our purpose

Our core purpose is investing in property, natural resources and people to generate lasting value for Scotland.

Our strategic objectives are to:

- Support the expansion of Scotland's Blue Economy, focusing on marine and coastal development;
- Invest in buildings and help create great places;
- Promote new sustainable ways of using natural resources to produce energy, food and other products;
- Involve people in how land, coastline and seabed are managed; and
- Use our skills and knowledge to deliver financial success and help business and communities to thrive.

The Scottish Crown Estate

The Estate is a unique mix of land, property and rights, with a total property value at March 2022 of £568.2m.

It includes ancient rights held by The Crown (e.g. wild salmon fishing) as well as acquired property (e.g. Glenlivet Estate and ZeroFour hub near Montrose).

Ownership of the Estate lies with the Monarch and management responsibility sits with Scottish Ministers, who in turn delegate to Crown Estate Scotland which is a public corporation.

Our revenue profits are paid to the Scottish Government. Most of these funds to date have been redistributed by the Scottish Government to coastal local authorities to fund projects benefitting coastal communities.¹ From our first three years of operating alone £28m was distributed to local authorities with Highland, Eilean Siar and Shetland Islands receiving multi-million pound awards.²

The Scottish Crown Estate Act 2019 ('the Act') provides a national framework covering a range of matters relating to management of the Estate. In particular, the Act:

- Allows eligible bodies ('managers') (e.g. local authorities, 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.
- Sets a duty on all managers, including Crown Estate Scotland, to maintain and seek to enhance income from and the value of the assets in a way that furthers sustainable development in Scotland, specifically economic development; regeneration; social wellbeing; and environmental wellbeing.

¹ <https://www.gov.scot/publications/scottish-crown-estate-net-revenue-allocations-2018-2019-report-local-authority-expenditure>

² <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations-2020-to-2021>

Our roles



Investor

Investing in, for example, property development to enhance value, as well as building external partnerships and supporting staff.



Enabler

Empowering others by supporting local plans and projects, providing access to property and helping address barriers to sector growth.



Asset Manager

Managing leases and agreements with tenants, as well as direct management of forestry.



Coordinator

Supporting other Scottish Crown Estate managers by, for example, coordinating spatial information.

Scottish Ministers' vision for the Estate is that it is 'managed sustainably, responsibly and fairly, and in a transparent and inclusive manner, to deliver financial benefits and wider and long-term social, economic and environmental benefits for Scotland and its communities'.³ Our strategic framework aligns with this vision.

Our work

We manage the assets across four categories or types:⁴

- Marine (Aquaculture; Energy & Infrastructure);
- Coastal;
- Rural Land; and
- Buildings & Places.

Our work can be categorised into four roles and 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 approach

Our success goes hand in hand with that of our tenants. We support tenants in helping them realise their ambitions, be that a farmer who wants to diversify, a renewable energy developer who needs seabed to test technology, or a port seeking to expand capacity.

Through this work, we help deliver wider social, environmental, and economic value.

We also identify and promote emerging opportunities that will deliver revenue and capital growth.

At 31 March 2022, we had 64 staff working across different parts of Scotland and we contract teams of managing agents to provide specialist knowledge and support in rural and coastal areas.

This model gives us flexibility and access to a wide range of expertise whilst helping manage costs.

Across our activity, we provide access to land and property in a way that is designed to:

- Ensure a place-based, plan-led approach, leasing in line with statutory plans to align with local priorities and impact assessments;
- Create new opportunities for people and organisations in the public, private and third sectors;
- Be open and transparent while respecting commercial confidentiality;
- Encourage diversity in use of land and property;
- Encourage innovation;
- Manage risk, particularly in relation to health & safety;
- Ensure that the integrity of assets is protected; and
- Deliver on our statutory duty to maintain and seek to enhance the value of and income from the Scottish Crown Estate.

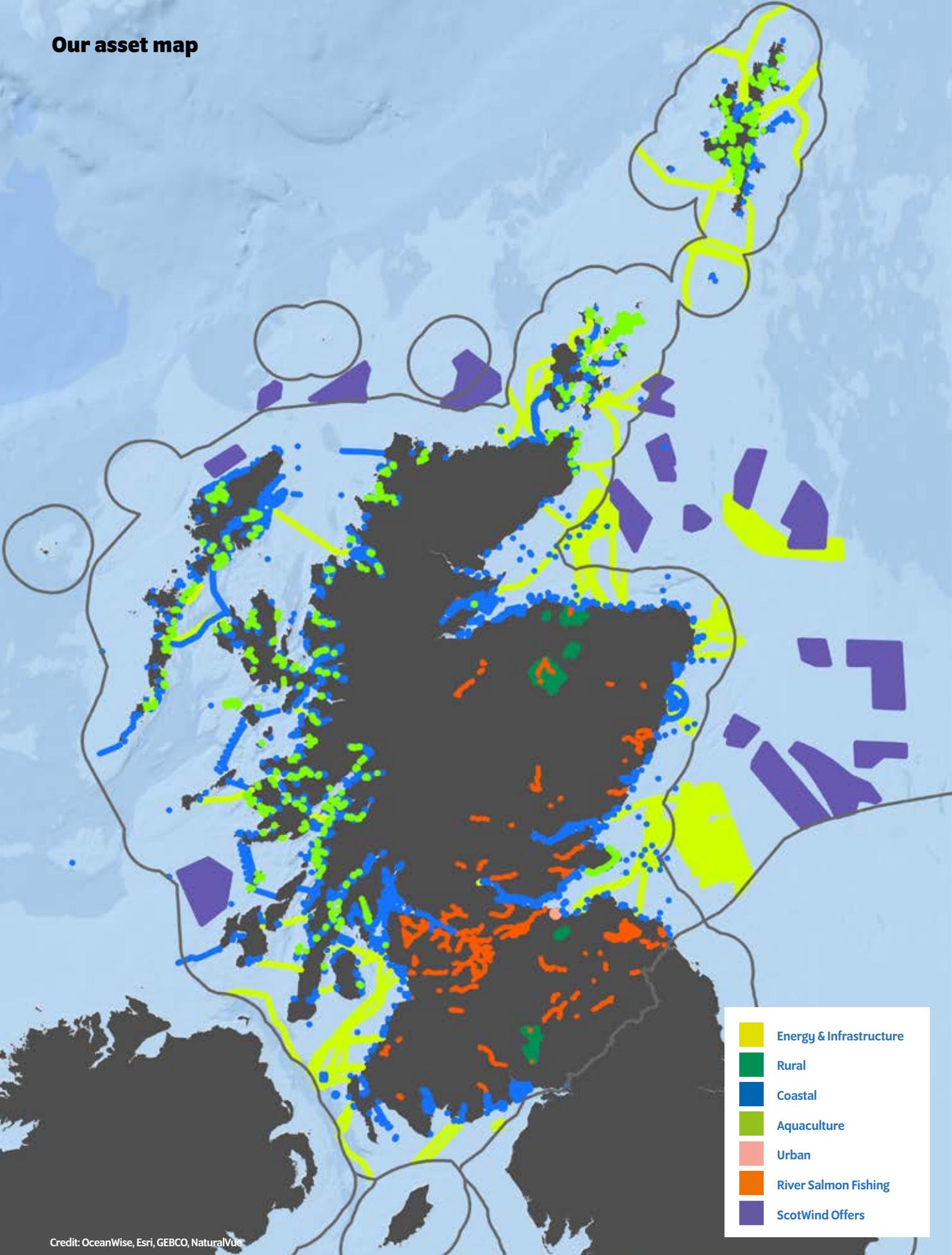
Our current [corporate plan](#) sets out how we align with the National Performance Framework and contribute to work to help Scotland reach net zero.

A description of each of our strategic objectives and how our work in 2021-22 contributed to delivering each of them, can be found in the Focus articles which follow.

³ See the Scottish Government's Scottish Crown Estate Strategic Management Plan at <https://www.gov.scot/publications/first-strategic-management-plan-scottish-crown-estate>

⁴ Our financial processes are being developed to align with these four new categories.

Our asset map



Credit: OceanWise, Esri, GEBCO, NaturalVue

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Blue Economy

STRATEGIC OBJECTIVE 1

Support the sustainable expansion of Scotland's Blue Economy, focusing on marine and coastal development

The ScotWind leasing round reached a key milestone this year with the offer of option agreements to 17 new projects in Scottish waters.

These agreements cover just over 7,000km², made available through the Scottish Government's Sectoral Marine Plan (SMP) for Offshore Wind Energy. ScotWind is plan-led, meaning that we lease areas identified in Scottish Government's SMP for Offshore Wind Energy. A clearing process is underway for an area off the east coast of Shetland, the only SMP area where no options were offered in the initial round.

As well as securing an initial £700m for public spending, ScotWind will lead to an average of £1.5bn per project investment in Scottish supply chain, as well as multi-million pound payments over the next 10 years (we currently anticipate an approximate average of £4m per GW pa from offshore wind projects once projects are operating).⁵

ScotWind was designed to make sure that the best projects and strongest applicants progressed; this will ensure the greatest likelihood of successful delivery of ScotWind and its benefits. Supply chain commitments were mandated from the outset. This approach – the first of its kind – will support and enable large-scale, long-term investment.

Crown Estate Scotland is required under legislation to obtain 'market value' in its transactions. For ScotWind, market value was robustly tested and we took an approach to fee-setting based on available evidence. This included a review in 2021 to reflect recent changes in the offshore wind market, informed by external expert advice, which resulted in a ten-fold increase in the option fee cap. Challenging sea conditions combined with higher grid costs, and the use of floating structures all add to costs and viability in Scottish waters, and therefore impacts market value.

What we delivered in 2021-22

1. Engaged with energy ports around Scotland, taking a sector-wide approach to ensure our enabling work and investment builds long-term port capacity & capability. This included funding Scottish Offshore Wind Energy Council (SOWEC) which is carrying out vital sector work including, for example, the Scottish Offshore Wind Strategic Investment Assessment.
2. Signed a Memorandum of Understanding (MOU) with Orkney Islands Council in support of the Scapa Deepwater Quay project.
3. Engaged with the energy sector on proposed details of our Innovation and Targeted Oil & Gas (INTOG) offshore wind leasing programme.
4. Engaged closely with key stakeholders in a variety of areas to enable and progress strategic net zero opportunities for Scotland, including the Offshore Transmission Network Review (OTNR) and strategic engagement to help realise the Carbon capture, utilisation, and storage opportunity in Scotland.
5. Completed our review of aquaculture leasing and started to prepare for implementation.
6. Completed aquaculture insights analysis project, helping inform the consultation and development processes. The outputs of this work are now available as a map layer, produced by our Geographic Information System (GIS) team.

⁵ This is based on internal modelling, taking into account lease terms and conditions, and is subject to a number of external factors (e.g. weather, market conditions, grid constraints, technology). We will revise this figure as ScotWind projects progress and there is more clarity on aspects such as technology and final design.

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Buildings & Places



STRATEGIC OBJECTIVE 2

**Invest in buildings
and help create great places**



This year has seen significant advances in the delivery of our ZeroFour project.

The 123-acre commercial development site near Montrose, Angus, has permission in principle for a mixed-use business park, and in 2021-22 we secured buy-in from key stakeholders for our vision of creating a new hub for green and blue economic activity in Scotland.

In November, we signed a MOU with Angus Council, agreeing to work together to develop a clean growth enterprise hub, with supporting infrastructure at the site.

This was followed by an agreement with Dundee and Angus College focused on promoting and accelerating the development of the skills required to support the green energy sector and other clean enterprises. This will help ensure that workers in the region can seize the opportunities created by businesses at ZeroFour.

An engagement event at Montrose Academy offered pupils the chance to explore some of the technologies which might play a part in ZeroFour's future, and a range of community members the opportunity to discuss our plans and ask questions.

We also created a distinctive, memorable brand identity⁶ for the site to help ensure effective communications and attract interest from a range of potential tenants and partners.

What we delivered in 2021-22

1. Identified priority locations to participate in regeneration partnerships, including Fort William, Solway Firth, Portgordon and North Ayrshire.
2. Completed phase 2 of our community consultation on the Whitehill Estate, which will inform the creation of a masterplan for this significant part of Midlothian.
3. Progressed the Mosstodloch masterplanning process on the Fochabers Estate in Moray, appointing partners to run the project.
4. Completed the majority of Category A actions identified by our Rural Condition survey.
5. Implemented actions from our 2020-21 review of energy efficiency status in directly-let residential properties.

6 <https://zerofour.uk>

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Sustainable Resource Use

STRATEGIC OBJECTIVE 3

Promote new sustainable ways of using natural resources to produce energy, food and other products



In 2021-22 we launched our £3m Innovation with Natural Resources (INR) Challenge Fund to support innovation in a wide range of sectors such as agriculture, green energy, aquaculture and waste reduction.

The INR fund will invest in innovative projects which result in better use of natural resources by existing or new businesses on the Scottish Crown Estate, and which contribute to sustainable growth. Qualifying projects might include:

- Construction of new, energy efficient buildings, or the improvement of existing infrastructure;
- Initiatives to improve biodiversity; and
- Plans to reduce the carbon footprint of a business.

The INR Fund will make capital investments, rather than award grants, in the range of £150,000 to £500,000. Applications have been invited from projects at any stage of development.

The INR Fund is one of three challenge funds that we launched in 2021-22, with an investment pool totalling £9m. The funds are designed to help us identify investment opportunities which contribute to meeting our core objectives.

What we delivered in 2021-22

1. Let a new farming opportunity to a new entrant on the Whitehill Estate.
2. Completed the next stage of peatland regeneration schemes at Feith Mussach on the Glenlivet Estate, and sourced resource for proposed works in Spring/Summer 2022.
3. Worked with partners to identify carbon reduction opportunities for farming tenants, and encouraged them to consider our INR fund as a source of investment for their implementation.
4. Funded further research on wild salmon and marine natural capital, with new projects agreed for 2022-23.
5. Part-funded a role with Solway Firth Partnership, and helped fund the set up of the new Scottish Marine Environment Enhancement Fund, managed by NatureScot.

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Involving People



STRATEGIC OBJECTIVE 4

**Involve people in how
land, coastline and seabed
are managed**

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Establishing a community hub at the Richmond Arms will give the village a shared space to host all manner of activities – and create an opportunity for PCT to earn income, which will be invaluable as we work to regenerate the harbour area.

SCOTT SLITER, CHAIRMAN OF PCT

In 2021 we signed a MOU with the Portgordon Community Trust Ltd. (PCT⁷), to transfer assets to them in line with our commitment to helping communities take a greater role in managing local assets.

This agreement will see the harbour itself – and potentially other property within the village – pass into the hands of the local community, so that local people can press ahead with their own plans for the regeneration and development of their village.

In June 2021 we took a significant step towards helping the community realise their vision for the area, with the purchase of the former Richmond Arms in Portgordon. We are in discussions to lease this building to PCT for their use as a meeting place for community members to gather and progress plans.

The MOU is the culmination of several years of work which saw PCT and the wider community carry out a Planning for Real exercise in 2017, and Crown Estate Scotland employ consultants to develop options for greater community involvement in managing the harbour.

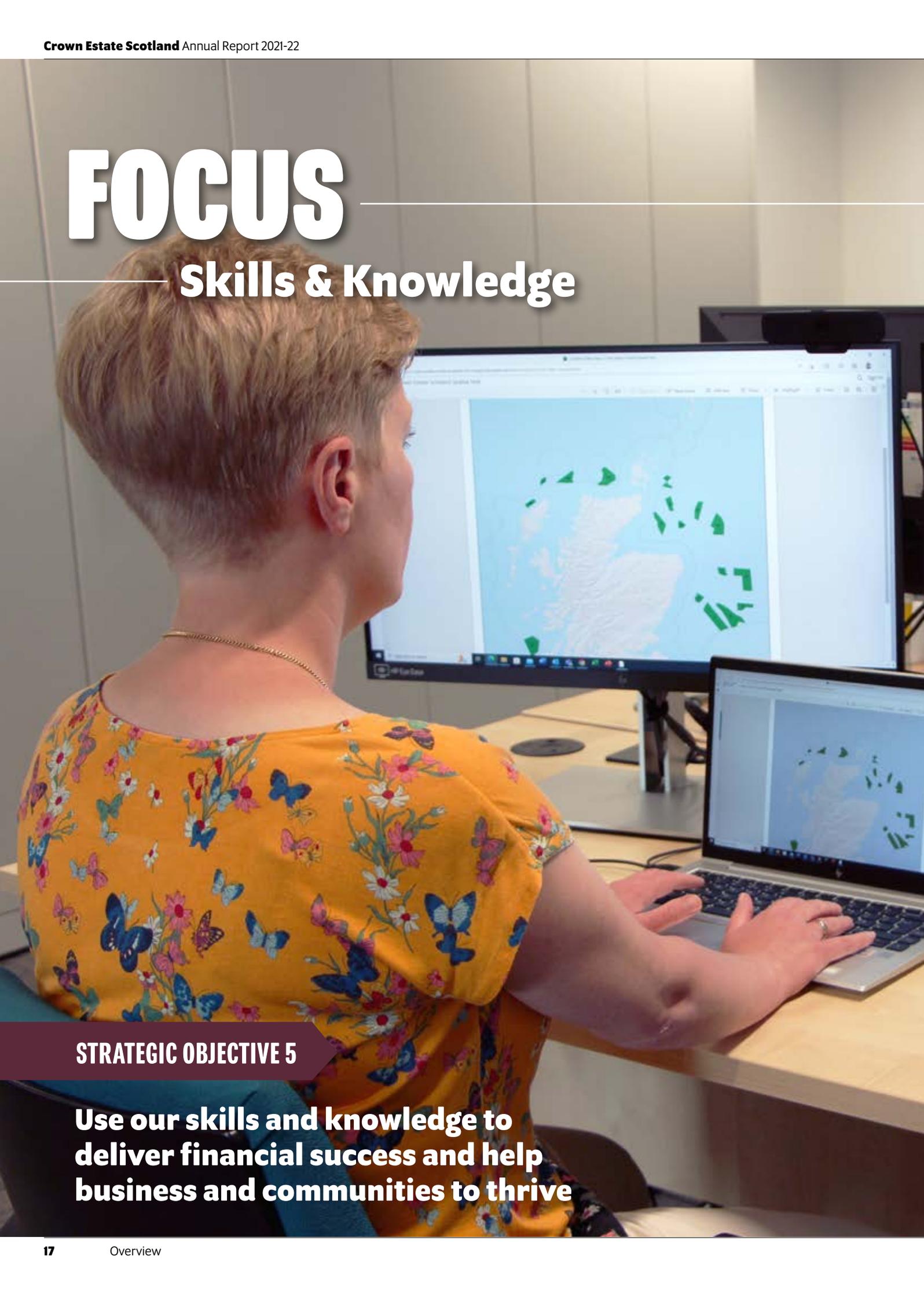
What we delivered in 2021-22

1. Launched the second application phase of our Local Partnerships Challenge Fund, with 11 applications now progressing.
2. Progressed local management pilot projects with applicants, and supported implementation with partners whose projects are already in place.
3. Recruited regional engagement staff, with a team of four now in place.
4. Supported projects tackling marine litter, including Keep Scotland Beautiful's 'Upstream Battle' and the work of the Marine Conservation Society.

7 MOU was signed with Portgordon Community Harbour Group Ltd. The company had a name change on 21/10/2021 to Portgordon Community Trust Ltd.

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Skills & Knowledge



STRATEGIC OBJECTIVE 5

Use our skills and knowledge to deliver financial success and help business and communities to thrive

Data plays a crucial role in enabling us to do our work and fulfil our purpose – and the value of that data doesn't end with how our teams put it to use.

In 2021-22, we developed an open data platform, the Crown Estate Scotland [Spatial Data Hub](#), to enable industry and public to access and use core GIS datasets from our activities. The platform, now available on our website, shares datasets including offshore wind farms, wave & tidal sites, aquaculture sites, and cable and pipeline agreements as free open data under the Open Government Licence.

The hope is to attract a broad range of users to the hub, from members of the public interested in our maps to developers and spatial analysts who want direct access to our most-up-to-date spatial data layers. We have also published some of our open data to ESRI's Living Atlas, which will expose our authoritative datasets to international interest.

Marc Gellatly, GIS Technical Lead, said: "The development of the Crown Estate Scotland Spatial Data Hub greatly improves access to our data. We now offer a more efficient technical solution that offers assurances to industry on the accuracy and currency of our core datasets.

"But this is not just about a technical platform: we developed the hub with inclusivity in mind. Anyone can access a series of simple and easy-to-use maps, and can understand how our activity contributes to life in Scotland. That could be at a national level, through our Crown Estate Scotland Asset Map, or at a very local level, by using their phones to access our Glenlivet Mountain Bike Trails maps before setting out on a ride."

What we delivered in 2021-22

1. Embedded the working arrangements of our new managing agents, including the setting of new KPIs.
2. Completed a review of our digital communications strategy, recommendations from which will be implemented in 2022-3.
3. Achieved 78% alignment with the target level of the Scottish Government's Cyber resilience framework, exceeding an internal target of 75%. We plan to further improve on this over the coming year.
4. Progressed implementation of our Climate Change Action Plan, working with colleagues to develop new green office and travel plans and completing our first year of measuring emissions.
5. Took steps to ensure the ongoing effectiveness of our Board, completing succession planning process and appointing two new members.
6. Published our first Equality, Diversity & Inclusion plan and began to implement various related projects.
7. Doubled the size of our Energy & Infrastructure team to support Scotland's net zero ambitions.

Some actions from our 2021-22 Business Plan will be carried forward to 2022-23. These include the development of local plans and masterplans at Whitehill, ZeroFour, and Glenlivet, identification of investment opportunities for renewables across the rural estates, an options appraisal of our George Street property in Edinburgh, and the development of a new community engagement approach. Action 54, relating to preparation of our next corporate plan will be carried out in 2023-24 and 2024-25 as our current plan period has been extended to 2025 (see Section 2 for more).



1.3 Forward-look for 2022-23 and beyond

This year will see us develop a long-term vision for Crown Estate Scotland, drawing on insights from people and organisations that we work with, and explore how we can further invest in property to support Scotland’s just transition journey.

This will reflect the possibility of other managers having responsibility for specific assets through transfers & delegations, a statutory process which is led by the Scottish Government with input from Crown Estate Scotland.

Following the extension of our current corporate plan period, we will set 2023-24 and 2024-25 targets for revenue and capital and other KPIs as appropriate.

The land and property that forms the Scottish Crown Estate is the foundation of our work – but our people-focussed approach is equally important. Together, the assets and our partnerships enable us to create economic, social, and environmental value for Scotland, as well as generate the revenue we return to the Scottish Government.

This year we’ll be inviting communities and organisations in and around Glenlivet to work with us to develop a long-term vision for the area.

£9m

Investment in natural resource, local partnerships, and boat-based tourism projects investment strategy

In 2021-22 we worked closely with farmers on secure tenancies to develop a new process to enable them, should they wish, to buy or surrender farms that they currently lease. This process, which supports land ownership

diversification, is now being piloted in Applegirth and Auchindoun. This year will see us take forward discussions with those who are keen to pursue the opportunity.

We will also progress the three challenge funds launched in 2021-22 in line with partners’ plans and resource. These funds allocate up to a total of £9m capital investment in natural resource, local partnerships, and boat-based tourism projects.

We plan to launch an Innovation and Targeted Oil & Gas (INTOG) offshore wind leasing round in 2022-23, designed to encourage innovation and create an opportunity to progress offshore wind projects that will decarbonise oil and gas production, supporting a smooth



just transition. We also anticipate committing to investment in ports to further support the delivery of new offshore wind projects.

Ensuring seabed is used for the benefit of the people of Scotland underpinned our review of aquaculture leasing. With that review now complete, changes will be implemented in phases from early 2023. In addition, our team will support the Scottish Government, as appropriate, in relation to changes resulting from the Aquaculture Regulatory Process review.

For marine natural capital, we are funding work in the Solway Firth and 2022-23 will see us carry out further research to establish a long-term approach for Scotland's seabed.

Built development that supports sustainable economic growth and strengthens communities is a focus of our investment strategy. At ZeroFour near Montrose, which we plan to

develop into a hub for companies in marine-based, clean growth and technology sectors, we'll soon progress to preparatory works. At Whitehill we'll be completing a development framework and submitting potential development proposals to the planning authority for consideration in their Local Development Plan.

2025

The extended end point for our current Corporate Plan period

Long-term partnership working increasingly drives new types of activity – our work with North Ayrshire Council, Portgordon Community Development Trust, and Fort William 2040 are just a few examples. We will continue to strengthen partnerships with enterprise agencies, local authorities, and communities across Scotland, in line

with our commitment to involve people in decision-making and support them in realising their ambitions.

The third round of our £850,000 Sustainable Communities Fund will be rolled out this year. To date we've helped fund a wide range of projects covering, for example, local energy plans, childcare services development, and town centre regeneration.

Our team is evolving. As well as doubling the size of our Energy & Infrastructure team to help deliver Scotland's net zero commitment, this year has seen us recruit a new Chief Executive, Ronan O'Hara, ahead of Simon Hodge's retirement in summer 2022. We'll also work with the Scottish Government on Ministers' appointment of a new Chair pending Amanda Bryan's term ending in April 2023. For both of these senior team changes, we'll be planning carefully to deliver a smooth and managed transition.

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



Marine – Energy & Infrastructure (E&I)

- There's a huge and complex web of interdependencies to achieve just energy transition for net zero and green growth – it includes offshore wind, marine energy, grid, electrification of oil and gas, Carbon Capture & Storage (CCS), hydrogen and optimisation of seabed use.
- The key players at UK and Scotland level will need to work closely to achieve a good energy transition, including Marine Scotland, SG Energy, NatureScot, consenting authorities, BEIS and the North Sea Transition Authority.
- Close integration with economic policy and enterprise support is required to win supply chain benefits for Scotland.

- Proactive development of ports and harbours infrastructure is needed to make Scotland an attractive place to invest for offshore wind growth, and new carbon and hydrogen market development.
- Investment in subsea cables is needed if Scotland is to become a fully digital nation.

- The complex policy and planning environment bring complexity and timeline risks to leasing and development activity in these growth areas. 
- Market uncertainty presents challenges to determining the best market model for seabed leasing.

Marine – Aquaculture

- Aquaculture is currently undergoing a regulatory review. Recommendations from the first stage of this review were accepted in principle by the Scottish Government and work is underway to progress the next phase of work. Opportunities for improved regulation processes for all aquaculture sectors is key to this review and Crown Estate Scotland will work with Scottish Ministers and others to help deliver this.
- The finfish sector continues to advance innovative techniques to sustainably develop the industry such as closed containment or waste capture technologies and equipment for finfish sites further offshore.
- The shellfish and seaweed farming sectors offer significant potential for local green growth.
- The Scottish Government is developing an aquaculture vision for all aquaculture sectors to help identify opportunities and key barriers for the sustainable development of each sector. This is due to be published late 2022.

- Trade agreements and transport disruptions have brought significant challenges for international trade. 
- The marine environment is getting increasingly busy, requiring careful management of competing interests and identifying opportunities to optimise use of the seabed. Competition for space is expected to increase further as Scottish Government commitments are delivered on.
- Managing farming activities in a shared public space, will necessitate working with local communities and interest groups to address concerns regarding the growth of the finfish sector.
- Understanding will be required of likely future pressures such as climate change and the impact these will have on the industry.





Coastal

- There are major business opportunities for Scotland's ports and harbours to provide operations and maintenance, marshalling and manufacturing facilities to the offshore and marine renewables sectors, and to provide oil and gas decommissioning services.
- Boat-based tourism has proved resilient throughout the pandemic. Businesses are taking the opportunity for sustainable growth and interest from boat owners in moving their boats further north away from traditional cruising waters has been noted.
- There continues to be appetite for communities to develop, own and / or manage coastal zone infrastructure such as marinas, moorings and associated onshore facilities in ways that can underpin place-based regeneration initiatives.

• Repair and maintenance of marine assets remains a challenge for all organisations, compounded by volatility in supply chain availability and pricing.



Buildings & Place

- We are building key relationships to support place-based regeneration where we can make the most difference.
- Investments in the right built development can help unlock the economic potential of growth sectors including the Blue and Green Economies. This can be delivered at scale in locations such as Montrose ZeroFour or in targeted ventures to assist where required.
- We are investing in local communities and engaging with stakeholders across our existing estates to assess needs and develop sustainable communities generating lasting value.
- We are committed to playing a key role as enablers in supporting rural communities through placemaking and the development of useful buildings.

- The (post)pandemic and geopolitical landscape will continue to have an impact on development costs, timescales, availability of supply chain and availability of funds. 



Rural land

- Farming is undergoing structural change as the industry responds to climate change, environmental, market, financial and demographic drivers. Crown Estate Scotland is working with tenants to explore what future sustainable farming and land use looks like.
- Rural tourism is of growing importance to the rural economy and there are opportunities to help our tenants to harness the post-COVID-19 'staycation' boom.
- There is a broad debate in society and in government on aspects of sporting (shooting, stalking, and fishing) activity, which will inform Crown Estate Scotland's future approaches.
- The launch of the Scottish Government Wild Salmon Strategy provides opportunities for Crown Estate Scotland to work with tenants and partners in support of the implementation plan.
- High gold prices over the past year have been continuing to drive interest in exploration for gold. There is also increased interest in critical minerals to support renewables projects. With the continued progress shown by the operating gold mine a steady number of applications for commercial options is expected to continue.
- Crown Estate Scotland Woodland creation policy will be launched in the coming year to support work towards net zero as well as opportunities for diversified income streams for landlords and tenants.

- Geopolitical issues affecting supply chain and significant price inflation in fertilisers, fuel and other input costs will impact heavily on farmers. 
- The costs of landlord investment in modernising farms are increasing.



2. Performance Analysis

2. Performance Analysis

Our 2020-23 Corporate Plan details a range of KPIs and targets for the three years to March 2023 covering our five strategic objectives.

These are reflected in each annual business plan, which in turn is cascaded down into staff's performance objectives. Our comprehensive assurance framework identifies and documents assurance on key business functions and activities. Progress is tracked throughout the financial year through quarterly reports to the Board, monthly leadership and team meetings as well as quarterly individual performance reviews.

In Section 1 we provide figures for KPIs directly associated with specific objectives. Below we list all KPIs and associated targets based on the original March 2023 deadline.

During 2021-22, Scottish Ministers approved our request to extend the current corporate plan to March 2025.

The benefits of this amendment include:

- Allowing us to further progress our partnership investment pipeline and collaborative enabler projects before we start to develop our next plan;
- Allowing us time to develop a longer-term vision, with input from stakeholders, to ensure our future plans are informed by a strategic outlook appropriate to our investor role;

- Enabling the new Chair of the Board, due to take up post in Spring 2023, and the new Chief Executive Ronan O'Hara, who starts in post in September 2022, to lead the development of the next plan;
- Allowing structural changes relating to COVID-19, Brexit and shifts in the offshore wind energy market, to become clearer; and
- Aligning the plan with the scheduled five-yearly review of Scottish Ministers' Scottish Crown Estate Strategic Management Plan.

We will in due course publish an update to our target for net revenue paid to the Scottish Consolidated Fund over the additional two-year period. Our annual business plans will set out appropriate new commitments so that we continue to deliver for Scotland.

The table below shows progress across a range of KPIs and highlights where we need to focus. Work is underway to address decline in favourability among MSPs and local authority officials. This includes awareness-raising with recently-elected MSPs. We are also considering how the Investment Strategy might evolve to reflect recent changes in the sectors where we are active and in the wider economy.

Table 1: 2020-23 KPIs and targets

KPI	March 2023 target	How performance is tracked	Progress at 31 March 2022	Progress at 31 March 2021
Gigawatt (GW) of offshore renewables in seabed agreements	No specific target	Ongoing tracking as agreements entered into; Annual Report	10.38GW	8.79GW
Production capacity in new finfish agreements	No specific target	Annual Report	7,673 tonnes	0
Total capital committed (including specifically Place-Based and Blue Economy projects / activities)	£70m	Quarterly reporting to Board	£12.9m	£6.3m
No. of projects promoting sustainable natural resource use	No specific target	Approved Investor or Enabler projects promoting sustainable natural resource use	22	14
No. of projects encouraging people to be more involved in how land, coast and seabed are managed	No specific target	Approved / ongoing Enabler projects	15	11
Net revenue	Total of £24m net revenue returned to the Scottish Government over 2020-23 period	Quarterly reporting to the Board	£15.7m from 2021-22 activity returned to the Scottish Government. This means a total of £27.3m has been returned in 2020-22	£11.5m
Capital valuation	Valuation increased on March 2020	Annual independent valuation	Scottish Crown Estate valued at £568.2m as at 31 March 2022.	Scottish Crown Estate valued at £455.6m at March 2021, up £29.4m on March 2020.
Staff feedback / satisfaction	15% on increase on 2019 baseline for staff satisfaction with employer (55%). Employer engagement score matches or is greater than core Scottish Government score	Annual staff survey	2021-22 staff survey shows: <ul style="list-style-type: none"> Satisfaction with Crown Estate Scotland as an employer at 80%; and Employee engagement score of 0.75. 2020 Scottish Government score is 0.69 	2020-21 staff survey shows: <ul style="list-style-type: none"> Satisfaction with Crown Estate Scotland as an employer at 63%; and Employee engagement score 0.71
Tenant and stakeholder satisfaction	Increase or no change in tenant satisfaction Increase or no change in stakeholder satisfaction	Independent surveys covering tenants, MSPs and senior local authority officials	2021 research shows: <ul style="list-style-type: none"> Net favourability among MSPs 38% Local authority CEOs' favourability 43% Local authority Heads of Economic Development favourability 39%⁸ 	2020 research shows: <ul style="list-style-type: none"> Net favourability among MSPs 45% Local authority CEOs' favourability 80% Local authority Heads of Economic Development favourability 63%⁹ 2019-20 rural tenants survey shows mean satisfaction rating of 6.8 out of 10 2020-21 energy and infrastructure survey shows mean satisfaction rating of 7 out of 10 (cf. 2018-19 6.9)¹⁰

8 PA Advocacy interviewed 69 MSPs in September-November 2021, and 14 Chief Executives & 23 Heads of Economic Development in May-June 2021.

9 PA Advocacy interviewed 70 MSPs in September-November 2020, 10 Chief Executives in March-May 2020 and 16 Heads of Economic Development in March-May 2020.

10 Research Resource surveyed tenants in January and February 2021. 53 respondents replied (38% response rate).

2.1 Managing uncertainties and risk

Sector specific risks and uncertainties are outlined in Section 1.

There are also uncertainties and risks related specifically to Crown Estate Scotland. These are covered in this section.

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.

As at April 2022, the medium-term impacts of COVID-19 and Brexit on our tenants' sectors and the wider economy are strategic risks and as such are being monitored by the Audit & Risk Committee. In addition, the Investment Committee tracks sector trends through a quarterly market update.

The Local Management Pilots Scheme, launched in 2018, has formed an important part of wider changes in how we empower communities and work with local partners. The process – along with additional information and insights from our team – informed Scottish Ministers' approach to implementing provisions in the Act relating to management of specific Scottish Crown Estate assets being transferred or delegated to other eligible bodies. We have contributed to the development of Scottish Ministers' process for transfers and delegations and are working with government colleagues as they prepare to assess expressions of interest. Transfers and / or delegations may impact the delivery of current and future corporate plans. We will track impacts of both helping to assess applications and the implementation of these arrangements through our established monitoring and reporting mechanisms.

In line with the Act, in 2020-21 we developed a framework (policy, guidance and internal process) to assess proposals for less than market value (LMV) transactions. As at March 2022, we have not completed a transaction or agreed a lease under LMV, although a number of expressions of interest have been brought to a successful conclusion through other means. We will review the policy and guidance in 2022-23.¹¹

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). 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.

¹¹ Any disposals of non-operational property between public sector bodies will be disposed of using the transfer mechanism outlined in the SPFM ([Guidelines for the Transfer of Property within the Scottish Public Sector](#)).

Table 2: 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. Financial (e.g. liabilities claim). Reputational.	New Health & Safety (H&S) policy framework, processes, training and reporting in place. Development of strong H&S culture including monitoring of mandatory training. Assurance reporting framework. Improved incident reporting. Robust audit procedures and Director assurance process. Monitor changes in legislation and case law and action as appropriate. Internal audit recommendations implemented in new managing agents' contracts.
Finance	Brexit and / or COVID-19 results in lease defaults leading to loss of revenue, reduced capital valuation and increased liabilities.	Liabilities increase. Loss of value and income.	Monitor market changes and trends. Facilitate provision of support for farm business planning / development of tenants' integrated land management plans. Close liaison / communication with shellfish and tourism tenants. Aquaculture leasing review implementation delayed until 2023.
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, aligning with Fair Work principles of security, fulfilment, respect, effective voice and opportunities. Annual staff survey with subsequent action plans. Executive team monitoring change projects and cumulative impact. Workforce plan implemented. New performance management and competency frameworks. Strong relations with recognised union, PCS.
Reputation	Loss of systems, information and business continuity results in organisational failure.	Reputational damage and loss of key business information; recovery costs.	Recommendations from independent review of IT infrastructure implemented. New IT and information policies. Up-to-date emergency response procedures in place. Additional cyber security measures implemented in 2021-22 with further measures planned for 2022-23. Ongoing testing and audit of system robustness.
Reputation	Failure to appropriately manage offshore wind leasing.	Damage to reputation and to delivery of wider value.	Active management of INTOG leasing, with stakeholder input. Proactively publish information on ScotWind and ensure communications reflects wider value related to supply chain. Ensure access to right expertise by expanding energy team and securing consultancy services as required.

Market conditions

Energy & Infrastructure assets, primarily offshore wind, are 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. The increased focus across Europe on energy security may impact oil and gas production in Scottish waters, which in turn will impact uptake of our INTOG leasing offer designed to encourage innovation and decarbonise hydrocarbon production.

Our ScotWind Leasing opened up new areas of seabed identified in Marine Scotland's Sectoral Plan for Offshore Wind Energy, helping to develop a further pipeline of new offshore wind projects expected to be built in the late 2020s and beyond. As at April 2022, 17 projects have secured option agreements, enabling project development.

To ensure value, we conducted a review of the ScotWind option structure in March 2021 following the announcement that large oil and gas companies are transitioning into offshore wind and working on projects in English waters.

This review resulted in increased fees (with option fee cap increased ten-fold) and the introduction of a disposal premium if a developer sells part or all of its interest in a project within three years of signing the option agreement.

Overall, rural land and property value has held well, as has forestry and minerals. The agricultural sector is performing strongly, fuelled by increasing commodity prices (including food crops and timber) and rising values for agricultural land. The rising value of land is being influenced in good part by interest in woodland creation and other natural capital approaches. Our forestry assets have also shown a significant rise in value.

Globally, finfish demand remains strong (and growing). Scottish production levels are increasing. Our revised rental terms (commencing January 2023) will deliver increased annual revenues for Crown Estate Scotland, currently distributed to coastal local authorities by the Scottish Government.

In relation to the coastal portfolio, values associated with ferry traffic are increasing, along with general trade related traffic volumes and, particularly, energy related shipping activities. There is strong demand for marine leisure products and services.

The value of the George Street, Edinburgh, property reflects full occupancy. The Board is considering options for that site.

2.2 Overview of financial performance

Table 3: Revenue and valuation 2021-22 and 2020-21

	2021-22 £m	2020-21 £m
Total gross revenue	28.4	21.6
Total net revenue	15.7	11.5
Total property valuation	568.2	455.6

We have generated £15.7m for the public purse for 2021-22 activities and are proud to make this contribution to Scotland's public spending. Over the five years to March 2022, we have generated £59.6m for Scottish public spending.

Most of these funds will be redistributed to coastal local authorities who have to date been allocated a total of £28m (from our first three years of operating) to fund projects benefitting coastal communities.¹²

In 2020-21 we carried out a preliminary analysis of how different types of assets perform financially. The outputs – 21 asset profiles – are reviewed annually. In 2022-23 we will develop a value reporting framework to help track change and inform long-term strategy.

We are currently developing our financial budgeting and reporting to align with the four Crown Estate Scotland roles as set out in our 2020-23 Corporate Plan (investor, enabler, asset manager and coordinator) and to reflect revised asset classes: Marine (Energy & Infrastructure; Aquaculture); Buildings & Place; Rural Land, and Coastal.

¹² See <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations-2020-to-2021>

Gross revenue

Table 4 provides gross revenue figures, with the previous year's for comparison and a summary of the factors underlying any notable changes.

Table 4: Gross revenue 2021-22 and 2020-21

	Gross revenue 2021-22 £m	Gross Revenue 2020-21 £m	Notes on variances in 2021-22
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	3.8	3.5	Year on year variances include an increase in forestry harvesting income.
Coastal	4.3	3.7	Revenue generated by the activities managed as part of our Coastal portfolio (includes ports & harbours, moorings, pontoons, dredging and outfalls). There was an increase in turnover-related income due to recovery from COVID-19.
Marine (Energy & Infrastructure)	13.8	8.9	Offshore wind revenue is linked to energy output. 2021-22 saw an increase in offshore production, especially in offshore wind, which led to increased revenue.
Marine (Aquaculture)	5.5	4.8	Income increased due to increase in finfish production.
Urban	1.0	0.7	Our urban property consists of retail and office spaces at 39-40 George St, Edinburgh. The increased income mainly reflects increased occupancy and the impact of rent reviews and COVID-19 recovery.
Total	28.4	21.6	

Net revenue profit

Table 5 provides a breakdown of revenue and expenditure with the previous years figures presented for comparison.

Table 5: Summary of revenue account 2021-22 and 2020-21

	2021-22 £m	2020-21 £m	Notes on variances in 2021-22
Gross revenue	28.4	21.6	See table above.
Direct costs	(5.6)	(4.3)	Includes increase in repair costs across the estate.
Indirect costs	(4.9)	(3.6)	Includes increase in enabling costs as we develop this role, increase in associated staff costs, and office costs.
Operating profit	17.9	13.7	
Transfers to capital account	(2.0)	(2.1)	
Depreciation of tangible fixed assets	(0.2)	(0.1)	
Net revenue profit	15.7	11.5	Increase in net revenue profit by £4.2m due to an increase in gross revenue partially offset by an increase in costs.

Asset valuation

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. Seabed value is recognised only once an agreement is in place.

Table 6: Asset valuation as at 31 March 2022 and 31 March 2021

	31 March 2022 valuation £m	31 March 2021 valuation £m	Notes on change since 31 March 2021
Rural (Agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	157.3	129.1	Forestry has doubled in value and now totals £46.6m, reflecting demand for both the underlying land and the timber crop. Demand for rural land / properties remains strong and the rural economy proved very resilient to COVID-19. The value of minerals portfolio including natural-occurring gold and silver has decreased. Cononish gold mine is experiencing lower production levels than expected, as is minerals, offset slightly by new options being signed.
Coastal	40.8	38.4	Increase reflects uplifts in rents from master agreements.
Marine (Energy & Infrastructure)	314.4	253.1	Offshore wind is the most valuable part of the Scottish Crown Estate. The continued year-on-year increase in value of offshore wind (up by £59.6m on 2021 to £288.2m) has been driven by individual projects making significant progress. The valuation does not reflect ScotWind option agreements as they were entered into in 2022-23.
Marine (Aquaculture)	46.7	26.4	Increase reflects completion of the recent review of aquaculture leasing which will result in higher rents.
Urban	9.0	8.6	
Total	568.2	455.6	

Capital

As at March 2022, we have built up £43.1m of capital funds for investment (after permitted transfers from revenue) demonstrating the ongoing success of our 'one team' effort by staff, managing agents and other partners and suppliers.¹³

Our investment strategy – part of our current corporate plan – sets out priority areas for ensuring capital is invested to deliver long-term return and wider benefits, and our 2022-23 Business Plan (see Forward Look later) sets out relevant budgets.

Managing capital is critical to the short and long-term success of Crown Estate Scotland. Capital receipts are retained as part of the Scottish Crown Estate and we have a statutory duty to maintain and seek to enhance capital value as well as deliver broader economic, social, and environmental value.

To achieve this, we must ensure that we have funds to maintain properties and to invest in assets and activity that generate income. This reinvestment includes staff costs for roles which are specifically focused on growing longer-term portfolio value.

Capital expenditure covers essential expenditure on farming units, rural and coastal infrastructure, research related to, for example, CCS and offshore renewables, alongside furthering development opportunities across our portfolio.

Receipts relate not only to property sales but also to other types of capital transactions such as the sale of rights (for example, dredging) or of other property. Receipts may also arise from offshore wind projects reaching certain milestones.

We are not permitted commercial borrowing and must therefore raise capital from 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 net zero economy). This reinvestment generates income and grows value in the future, supporting Scottish economic growth.

¹³ The legislation which created Crown Estate Scotland (see www.legislation.gov.uk/sdsi/2017/978011033388, 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 to fund short-term capital cashflow. These are to be repaid as soon as practical and are not to be outstanding over a financial year end without the consent of the Scottish Government.

2.3 Asset performance

The Scottish Crown Estate is made up of 21 asset classes.

We have identified and analysed the wider value currently generated by Crown Estate Scotland's management of those asset classes and indicated where there is potential to deliver more value.

This analysis together with financial information is compiled into a set of 'asset profiles'; the most

recently published editions are found at <https://www.crownestatescotland.com/maps-and-publications>

These profiles, as well as providing rich information that we hope is useful to partners and the public, will inform future strategy and decision-making.

Carbon Capture and Storage

Value at 31 Mar 2022

£0.04m

No of agreements

1



[FIND OUT MORE >](#)

Coastal Cables and Pipelines

Value at 31 Mar 2022

£6.6m

No of agreements

747



[FIND OUT MORE >](#)

Commercial Property

Value at 31 Mar 2022

£10.0m

No of agreements

32



[FIND OUT MORE >](#)

Farming

Value at 31 Mar 2022

£76.5m

No of agreements

237



[FIND OUT MORE >](#)

Finfish farming

Value at 31 Mar 2022

£46.1m

No of agreements

289



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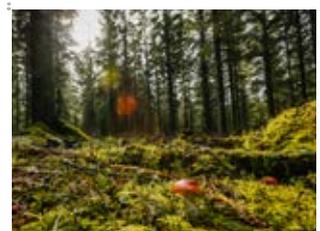
Forestry

Value at 31 Mar 2022

£47.3m

No of agreements

1



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Offshore Wind



Value at 31 Mar 2022

£288.6m

No of agreements

32

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Crown Estate Scotland plays a critical role in the development of offshore wind, primarily by supporting development of the offshore wind sector and awarding and managing leases. We work with developers and other stakeholders to support the projects and the wider sector to progress and to build investor confidence.

As of April 2022, there are 17 offshore wind projects, seven of which are fully operational with 265 turbines and total installed capacity of 1,898 MW.

The operating projects have annual energy production of around 4,300GWh. The two sites currently under construction will add a further 168 turbines with total installed capacity 1,588MW.

The remaining eight sites may add several thousand MW and several hundred turbines.

Marinas and Moorings

Value at 31 Mar 2022

£4.8m

No of agreements

816

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Marine Cables and Pipelines

Value at 31 Mar 2022

£25.5m

No of agreements

50

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Ports and harbours



Value at 31 Mar 2022

£18.9m

No of agreements

214

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Seabed used for permanent reclamation, harbour infrastructure and dredging, form the bulk of Crown Estate Scotland's agreements with the ports and harbours sector.

Ports and harbours in Scotland have a range of public and private operators, each with unique governance arrangements.

Crown Estate Scotland seabed agreements are granted on a consistent basis whilst reflecting local circumstances. Master Agreements are in place with some Local Authorities, which set a framework for individual agreements and were designed for mutual benefit when dealing with multiple agreements with a single tenant.

We work proactively with operators on expansion and development plans.

Minerals and mines

Value at 31 Mar 2022

£2.8m

No of agreements

36

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Other Rural

Value at 31 Mar 2022

£3.1m

No of agreements

139

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Other Seabed

Value at 31 Mar 2022

£10.5m

No of agreements

695



[FIND OUT MORE >](#)

Development property

Value at 31 Mar 2022

£4.0m

No of agreements

1



[FIND OUT MORE >](#)

Residential

Value at 31 Mar 2022

£10.4m

No of agreements

59



[FIND OUT MORE >](#)

Salmon Fishing Rights

Value at 31 Mar 2022

£4.9m

No of agreements

120



[FIND OUT MORE >](#)

Seaweed

Value at 31 Mar 2022

£0.02m

No of agreements

17



[FIND OUT MORE >](#)

Shellfish Farming

Value at 31 Mar 2022

£0.6m

No of agreements

270



[FIND OUT MORE >](#)

Sporting

Value at 31 Mar 2022

£7.4m

No of agreements

34



[FIND OUT MORE >](#)

Wave and Tidal

Value at 31 Mar 2022

£0.2m

No of agreements

12



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Best Value and value for money

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

As Accountable Officer, the Chief Executive has a duty to secure Best Value through continuous improvement in performance and having regard to economy, efficiency and effectiveness, as well as sustainability and equal opportunities.

Further detail is in our [Framework Document](#).

Forward-look

Gross revenue for 2022-23 is budgeted to be £101.8m, an increase from £28.4m in 2021-22, generating an estimated £87m for Scottish Government's public spending.

Total costs include maintenance, repairs, managing agents and other expenditure related to the property in our care, as well as the costs of running the organisation.

The 2022-23 revenue budget includes:

- Gross revenue increasing by £70m due to ScotWind option fees. The total £700m fees for the 17 option agreements will be recognised as gross revenue evenly through the 10-year option period, starting in 2022-23.
- A further £4.9m increase in net revenue from existing offshore wind developments (i.e. projects that precede ScotWind).
- Total costs increasing on last year's budgeted £12.1m to £12.4m as we continue to improve the quality of the assets and build our team.
- £1.8m for enabling activities, some joint-funded with the Scottish Government, to further sustainable development. These include costs associated with the Forth District Salmon Fisheries Board local management pilot and our Sustainable Communities Fund.

This year, we have allocated up to £17.6m for capital investment (cf. 2021-22 £20.8m) covering acquisitions,

offshore energy costs including sector studies and staff, our capital investment funds, as well as other projects including in relation to energy ports. Receipts are expected to total £5.0m (down from £10.2m in 2021-22), giving a net capital investment of £12.6m.

In recent years, as our remit has grown and new requirements relating to the Act have come into force, our costs – including staff costs – have increased so that we can deliver more.

Having appointed new managing agents' in 2020-21 and developed a workforce plan reflecting our current corporate plan, we will continue to carefully plan expenditure and other resource use, keeping direct and indirect costs under review.¹⁴

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

2.4 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.

2.4.1 Our people

On 31 March 2022, Crown Estate Scotland had 62 FTE staff (more detail is in section 3.4), up from 52 in 2021. Our current business model is based on a small core team with support from managing agents. This provides flexibility and access to a wide range of expertise while helping us manage costs.

Activity to support and develop our staff included:

- Working with staff and the recognised trades union to develop a flexible approach to hybrid working which balances the requirements of teams and individuals;

- Ongoing support for those with caring responsibilities as we transition out of COVID-19 working into a new approach to home and office working;
- Reviewing our recruitment policy and process to support enhancing diversity;
- Building our digital learning and development offering for staff, including providing access to LinkedIn learning for all staff to support their professional development;
- Continuing to deliver our Wellbeing Matters programme, a programme of support for staff covering

- financial, mental, social and physical health and wellbeing;
- Delivery of our People Strategy in alignment with our 2020-23 Corporate Plan;
- Delivery of our Strategic Workforce Plan, including investing in building the capacity of our team in offshore renewables, built development and regional engagement; and
- Maintaining our Living Wage employer accreditation.

Two new non-executives, Katerina Brown and Ailsa Raeburn have been appointed by Scottish Ministers and

¹⁴ For more on 2022-23 income and expenditure, see the 2022-23 Business Plan at <https://www.crownestatescotland.com/resources/documents/2022-23-business-plan>

took office on 1 June 2022, for an initial period of 3 years. They will bring further expertise in financial management and community engagement and development.

In 2021-22, a Board intern joined us for nine months followed by another intern starting in March 2022. The intern role provides a young person the opportunity to learn about land and property in Scotland, and about the work of the Board, and will contribute to our Children & Young People's Forum which will start operating in early 2022-23.

Bringing voices of different age groups into the organisation is part of our wider work in diversity and inclusion. In 2021-22 we developed our first Equality, Diversity, and Inclusion plan covering corporate activity and how the assets in our care are managed.¹⁵

2.4.2 Health & Safety

Excellent H&S management continues to be fundamental to the success of the organisation. We will continue to meet all relevant H&S requirements and continue to improve our approach and management of H&S.

We continued to focus on meeting COVID-19 restrictions both in terms of helping our staff work effectively from home and in allowing those staff members who had to work on site, predominantly the workforce at Fochabers and Glenlivet, to do so safely.

Our central H&S Committee meets quarterly and trade union representation is invited to join those meetings. H&S is incorporated in detail in our induction process, and is a fixed item on all Board, senior management, staff, and team meeting agendas.

Throughout 2021-22 we completed a range of specific activities to further embed a positive H&S culture throughout the business. These activities include:

- Mandatory H&S e-learning courses;
- Rolling out a new H&S assurance reporting framework;
- Finalising our H&S manual for new Edinburgh office;
- Re-tendering our H&S consultancy contract. New consultants are due to start in early 2022-23; and
- Annual revision of all H&S policies with a new policy relating to the management of the commercial properties developed.

Table 7 shows recorded accidents and near misses related to staff in 2021-22 compared to 2020-21. In 2021-22 there were 0 near misses / incidents and two accidents. All accidents 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 2022.

Table 7: Staff accidents & near misses in 2021-22 and 2020-21

	2021-22	2020-21
Near misses	0	2
Accidents	2	3

2.4.3 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")
- Data Protection Act 2018.

Crown Estate Scotland operates the Scottish Public Sector Ombudsman's model complaints handling procedure (updated with effect from 1 April 2021).

Table 8: FOISA and EIR requests and responses 2021-22 and 2020-21*

	2021-22	2020-21
Requests for information received	46	39
Requests for information responded to	44	38
Percentage of requests responded to within 20 working days (or within 40 days for a complex EIR request)	98%	95%
Average response time (working days)	12	14.6
Number of reviews carried out	3	4
Number of cases appealed to the Scottish Information Commissioner	0	1
Decisions issued by the Scottish Information Commissioner	0	0

*Information subject to change given statutory limits for reviews and appeals are ongoing into 2022-23. Figures as of 31 March 2022.

There was one late response (compared to two in 2020-21). This was due to an administrative error where the request was logged as 'complete' before a response was issued.

We will continue to promote awareness through training to staff to try and minimise late responses (see section "Training" below).

¹⁵ See <https://www.crownestatescotland.com/resources/documents/equality-diversity-and-inclusion-plan>

Appeals

We received three requests for a review of Crown Estate Scotland's handling of their request. Our response to two requests for review were upheld. Another resulted in additional information being disclosed.

Cases appealed to the Scottish Information Commissioner and Decision Notices Issued

We received no notification of appeals having been 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 staff. Refresher training on freedom of information was offered for all staff during the year. Training on data protection and cyber security is delivered annually via an e-learning platform, with regular updates during the year.

Complaints

In 2021-22, we received eleven complaints, two more than in 2020-21. One of these was dealt with as stage two complaint due to its complexity.

2.4.4 Understanding value

The Act requires us to manage the assets in a way that is likely to contribute to the promotion or improvement of economic development, regeneration, social wellbeing, and environmental wellbeing.

To do this, we need to understand the wider value delivered by the assets and our management activities.

Over the last two years, The Value Project brought our own team together with other experts to analyse that wider value – and to make our conclusions available in a form that is easy to understand and widely accessible.

In May 2021, a suite of new Asset Profiles was published. These provide detailed summaries of how different elements of the Estate are used and the financial and wider value they produce.

These profiles, to be updated annually, have been developed for each of the 21 asset classes and include information on:

- Financial returns;
- The public benefits delivered through our management activities; and
- Our view of the opportunities for wider value creation.

The profiles, together with an internal research resource and decision-making tools, form The Value Project framework that will be used by staff to identify and collate comprehensive data to inform and then monitor the impact of investment decisions.

2.4.5 Environmental 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.

Much of our revenue-generating work also has significant environmental benefits e.g. offshore renewable energy.

We continue to 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.

We are working to implement our Climate Change Action Plan¹⁶, covering our direct operations and how we may positively influence the sectors we work with. The plan commits us to achieve zero direct emissions by 2040.

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 updated in May 2019 and our actions taken to meet our biodiversity duty are reported in detail in our first Biodiversity Duty Report.¹⁷

This report set out our activity across a number of areas including improving access at Glenlivet Estate, funding marine litter projects, forestry certification, the Tomintoul & Glenlivet Landscape Partnership Project, supporting school projects, volunteering, and more.

Over the last two years, our Environment Grants scheme, part of the Sustainable Communities Fund, has awarded £0.2m to tenants for projects delivering a range of environmental benefits. Projects include removal of invasive and non-native species; planting to support biodiversity including hedgerows, wild flower meadows and seagrass; reed bed enhancement; installation of EV chargers; education boards; and provision of materials to support community beach cleans.

We have been delighted to support the establishment of the Scottish Marine Environmental Enhancement Fund, working in partnership with NatureScot and Marine Scotland. The fund will provide an opportunity for users of Scotland's marine environment to make voluntary donations for projects delivering marine restoration and enhancement. Through the provision of funding and expert input to the steering group, we have helped to shape the fund and progress it towards launch in 2022.

¹⁶ <https://www.crownestatescotland.com/media-and-notice/news-media-releases-opinion/our-plan-to-tackle-emissions-and-adapt-to-climate-change>

¹⁷ <https://www.crownestatescotland.com/maps-and-publications/download/543>

We have worked to tackle litter and refuse in accordance with our duties under the Code of Practice for Litter and Refuse (COPLAR). At Glenlivet, staff have undertaken regular litter picks to remove litter reported through weekly checks. Generally only small amounts of litter were reported, but on two occasions Moray Council were contacted to deal with incidents of flytipping and hazardous/special waste. At Portgordon Harbour, a number of flytipped tyres were also removed.

Meanwhile at Whitehill Estate, we worked with Rosewell Community and District Council to undertake a river clean up, with Crown Estate Scotland covering the cost of the skip hire. Volunteers successfully removed a range of items from the Shiel Burn at Rosewell, ranging from tractor seats and traffic cones to pushchairs and lawnmowers.

Other work included supporting marine litter education and citizen science projects by Keep Scotland Beautiful and Marine Conservation Society, and staff carrying out a beach clean-up.

Impact Assessments

As a public body subject to the Environment Assessment (Scotland) Act 2005, we must carry out Strategic Environmental Assessments (SEA) on certain plans, programmes and strategies.

Our [SEA of the Corporate Plan](#) means environmental considerations were taken into account when developing the plan. The assessment showed that implementing the 2020-23 Corporate Plan would have no significant

negative impact on the environment, instead it should generate largely positive environmental effects.

Further assessments and screening exercises conducted for our draft 2020-23 Corporate Plan included:

- An Island Communities Impact Assessment;
- A Children's Rights and Wellbeing (screening); and
- An Equality Impact Assessment.

These assessment outcomes shaped our current corporate plan.

This year, we undertook an Islands Communities Impact Assessment to support our review of aquaculture leasing terms.

Office operations

A recording system for waste and recycling was put in place at our Edinburgh office from April 2022. This will ensure we have accurate waste data in place from 2022-23, forming a reliable baseline for future recording.

Waste data was not recorded for 2021-22 as COVID-19 restrictions meant any data would have been unrepresentative of more normal office use, and an unreliable baseline for future recording.

The Glenlivet Estate office was, however, able to record waste data for 2021-22 noting 60kg of residual waste and 55.5kg of recycled waste. All residual waste was sent to landfill. 100% of recyclable waste was recycled.

Our first full year of corporate greenhouse gas emissions data for 2021-22 will be reported to the Scottish Government by November 2022.

In line with our 2021-23 Climate Change Action Plan, we will develop a green office plan for our new premises in Edinburgh for implementation 2022-23 onwards. Across our two offices we will seek to reduce consumption of resources such as electricity, office supplies, and water.

We have moved to a hybrid approach with staff – depending on their circumstances – blending office and home based work, reducing pollution associated with commuting. We will also reduce business travel as more staff are based in regions across Scotland and we make best use of digital technology.

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 rating, the Gold Award, through the Green Tourism Business Scheme.



Simon Hodge

Chief Executive, Crown Estate Scotland
Friday, 12th August 2022

3. Governance

3. Governance

This section explains the composition and organisation of Crown Estate Scotland's governance structures and provides information on staff and remuneration.

3.1 Members' Report

As at 31 March 2022 the membership of the Board was as follows:

Member	Date of Appointment	Current End Date	Total Length of Term	Current Term
Amanda Bryan	1 December 2016 (as shadow until 1 April 2017)	31 March 2023	6 years 4 months	Second
Ann Allen	28 June 2021	27 June 2024	3 years	First
Michael Foxley	1 May 2017	30 April 2023	6 years	Second
Liz Leonard	1 May 2019	30 April 2025	6 years	Second
Jean Lindsay	1 May 2019	30 April 2025	6 years	Second
Andrew Macdonald	1 May 2017	30 April 2022	5 Years	Second
Robert Mackenzie	1 May 2017	30 April 2024	7 years	Second
Euan McVicar	28 June 2021	27 June 2024	3 years	First
Alister Steele	1 May 2017	30 April 2022	5 Years	Second

Crown Estate Scotland has a non-executive Board, which is supported by an Audit & Risk Committee (ARC), an Investment Committee and a short-life advisory committee, the People Committee (which was stood down by the Board on 23 February 2022).

Members of ARC and the other committees are appointed by the Board. Members of the Board, including the Chair, are appointed by Scottish Ministers, initially through a process of open competition for a period determined by Scottish Ministers. The Crown Estate Scotland Order 2017 (section 5(3)) provides that Scottish Ministers can reappoint a person who is, or has been, a member.

Richard Morris stood down as a Board member on 30 April 2021. Andrew Macdonald and Alister Steele stood down from the Board on 30 April 2022. Following the conclusion of an open recruitment process, the Minister for Environment and Land Reform has appointed Katerina Brown and Ailsa Raeburn who took office on 1 June 2022 for an initial period of 3 years. The Minister also re-appointed Liz Leonard and Jean Lindsay to the Board each for a further period of 3 years with effect from 30 April 2022. In advance of the recruitment and re-appointment process a skills audit was undertaken by the Chair with a view to ensuring that collectively the Board provides the appropriate range of expertise.

Biographies of the Board members can be found on the Crown Estate Scotland website at www.crownestatescotland.com.

The Crown Estate Scotland Order 2017 requires that the organisation must, so far as reasonably practicable, operate in a way which is transparent and accountable and in accordance with good governance practice. During the year 1 April 2021 to 31 March 2022, the Board met eight times, holding three quarterly meetings, four strategic sessions and one additional meeting to consider papers in relation to the INTOG leasing round. After consideration the Board have agreed that its quarterly meetings will be hybrid ones allowing members and invitees to join online or in-person. The sessions which it holds to discuss strategy will, wherever practicable, be held in-person and away from the organisation's head office at locations relevant to the work of the organisation and management of the Estate. The Board's strategic meetings focused on developing its long term vision for the Scottish Crown Estate and held discussions with stakeholders in relation to the Blue Economy, marine natural capital, supporting offshore wind, and partnerships. The Board held sessions in North Ayrshire, Montrose and Cromarty during the year.

Agendas, minutes and papers from Board meetings are available at www.crownestatescotland.com in the Structure & Governance section.

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. This Register is available at www.crownestatescotland.com in the Structure & Governance section.

A revised Framework Document for Crown Estate Scotland was drawn up by the sponsor directorate, Marine Scotland, and came into effect on 1 April 2020. The Framework Document sets out the broad structure within which Crown Estate Scotland is to operate and the roles of the Chair, the Board, and the Chief Executive and Accountable Officer.

The Chair is accountable to Scottish Ministers. She has, along with the other Members, corporate responsibility for ensuring that Crown Estate Scotland fulfils the aims and objectives set for it by the Scottish Ministers, including those set out in the Strategic Management Plan for the Scottish Crown Estate and in the current Corporate Plan, and for promoting the efficient and effective use of staff and other resources.

Board meetings during the financial year reviewed 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 H&S issues. Crown Estate Scotland maintains an active and ongoing dialogue at all levels within the Scottish Government. 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 frequent basis.

The Chief Executive, who has responsibility for the management of Crown Estate Scotland, presents a report to the Board on a quarterly basis in which he sets out the key activities undertaken across the organisation. Quarterly reports on business performance and financial management are also submitted to the Board. The Board has delegated in-depth scrutiny of certain areas of activity to ARC and oversight of investment activity to the Investment Committee and receives quarterly reports from the Chair of those committees as well as recommendations for decision. The Board has approved a scheme of delegated authority for the organisation with ARC having oversight of the operation of that delegated authority.

The People Committee was established as a short-life advisory committee to provide guidance and support to the Chief Executive and the Director of Corporate Operations during the development and implementation of the organisation's People Strategy. In 2021-22 it was chaired by the Director of Finance & Business Services and included Board members and officers. The Board agreed to stand down the Committee on 23 February 2022 and to receive a quarterly HR report and dashboard from the Executive Team. A Remuneration Committee will be established in 2022-23.

As an organisation, Crown Estate Scotland is committed to equality and diversity. In 2021-22 we developed our first Equality, Diversity and Inclusion plan which is available on our website. All staff undertake annual equality and diversity awareness training. During 2021-22, the Board offered an opportunity for two interns to shadow the work of the Board and its Committees to support the diversity of applicants to public sector boards.

In March 2022, Crown Estate Scotland participated in a workshop with Changing the Chemistry as part of the recruitment process for new Members.

3.2 Statement of Accountable Officer's Responsibilities

In accordance with section 34 of the Scottish Crown Estate Act 2019, Crown Estate Scotland must prepare a statement of accounts for each financial year in such form as the Scottish Ministers may direct. Scottish Ministers issued Accounts Directions to Crown Estate Scotland on 12 March 2021 and 31 March 2022. The accounts are prepared on an accruals basis and must give a true and fair view of Crown Estate Scotland's income and expenditure, Statement of Financial Position, and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to

comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe any Accounts Directions issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and

disclose and explain any material departures in the accounts;

- Prepare the accounts on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced, and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

The Principle Accountable Officer for the Scottish Administration has designated the Chief Executive as Accountable

Officer of Crown Estate Scotland. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records, and for safeguarding the assets of Crown Estate Scotland, are set out in Managing Public Money published by the HM Treasury.

3.3 Governance Statement

The Board has a collective responsibility for maintaining sound 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 Scottish Public Finance Manual (SPFM);
- Signing the annual accounts and associated governance statements; and
- 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

Crown Estate Scotland, established by The Crown Estate Scotland Order 2017, operates under that Order and in accordance with the provisions of the Scottish Crown Estate Act 2019 and the Framework Document. The organisation has been designated as a public corporation.

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, the terms of reference for ARC and the internal scheme of delegated authority, to provide:

- Assurance to the Scottish Government that Crown Estate Scotland has in place an effective governance system, accountable to Scottish Ministers;

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Crown Estate Scotland's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

- Transparency of the roles and responsibilities of the Board and ARC 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; and
- Assurance that there is a fully empowered Accountable Officer within Crown Estate Scotland, able to maximise productivity within a robust strategic framework.

3.3.2 Audit & Risk Committee

ARC is chaired by Robert Mackenzie, a non-executive member with a business advisory and accountancy background and extensive public sector advisory and risk experience. Jean Lindsay, Euan McVicar and Alister Steele were the other non-executive members who served on ARC during the financial year. ARC maintains oversight of internal and external audit, financial, risk and governance performance and H&S. ARC operates independently and reports to the Board. The Board Chair attends at least one meeting of ARC every year and did so in September 2021.

The Committee meets with management and with internal and external auditors, who normally attend all ARC meetings, to review the effectiveness of internal controls and business risk management. ARC adheres to the requirements of the Scottish Government's Audit Committee and Assurance Handbook.

3.3.3 Board and Committee performance

Formal annual evaluation processes are in place for all Board members. The Chair reviews the performance of individual Members on an annual basis and the Board reflect on their effectiveness following completion of those reviews. The Chair's performance is evaluated annually by the Director of Marine Scotland.

Induction and training are provided for non-executive Board members and they are encouraged to participate in training offered by the Scottish Public Bodies Unit and by Crown Estate Scotland through an e-learning platform.

2021-22 Board and Audit & Risk Committee attendance (not subject to audit)

Board Member	Board		Audit & Risk Committee	
	Number of Quarterly Meetings Held	Number of Quarterly Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Amanda Bryan (Chair)	3	3	-	-
Ann Allen	3	3	-	-
Michael Foxley	3	3	-	-
Liz Leonard	3	3	-	-
Jean Lindsay	3	3	4	4
Andrew Macdonald	3	3	-	-
Robert Mackenzie	3	3	4	4
Euan McVicar	3	3	4	3*
Alister Steele	3	3	4	1*

* Attended all meetings held during the period of appointment to ARC

Crown Estate Scotland has in place a Code of Conduct for Board members, as approved by the Scottish Ministers. Scottish Ministers issued a new model code of conduct in December 2021 and this was adopted by the Board in February 2022. 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.

3.3.4 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 issued on 1 April 2020.

In addition, Crown Estate Scotland substantially 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 the Scottish Government or as noted in this statement.

We published our procurement strategy for the period 2020-23 during the year and have continued to build our internal procurement processes and capability. We continue to utilise government frameworks available to us to ensure we achieve value for money.

3.3.5 Risk and internal control framework

As at 31 March 2022, 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. An actions tracker is used to monitor timeous completion of actions with the tracker being reviewed monthly by the Executive Team.

New or changed risks 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 ARC 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.

Particular focal points for risk management during the year have been:

- Responding to the continuing COVID-19 pandemic both in relation to the health and safety of our staff, and in relation to our dealings with tenants, external partners, and businesses;
- Understanding the impacts of Brexit and subsequent trade arrangements on the sectors with which we are involved and on competition regulations;
- ScotWind Offshore Wind Leasing, assessing applications and making awards of options to successful bidders;
- Reviewing the performance of specific investments;
- Strengthening cyber resilience and achieving recertification of cyber essentials plus certification; and
- Investing in our approach to procurement and contract management.

3.3.7 Internal Audit

RSM Risk Assurance Services LLP, the internal auditors appointed by Crown Estate Scotland on 1 February 2020, report to ARC and the Board on the adequacy and effectiveness of Crown Estate Scotland's system of internal control, make recommendations for improvement and agree actions for implementation with management. The work of internal audit is informed by an analysis of the risk to which Crown Estate Scotland is exposed. An internal audit plan is agreed with the Executive Team and ARC on behalf of the Board.

Six audits were undertaken during the financial year. These covered:

- Governance (substantial assurance);
- Managing Agents – Contract Management (reasonable assurance);
- Information Governance (reasonable assurance);
- Health & Safety (good progress);
- Follow Up (good progress); and
- IT Health check (reasonable assurance).

The internal audit opinion presented by RSM Risk Assurance Services LLP to ARC on 19 May 2022 gives the following positive and above the line internal audit opinion:

“The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

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 2022.

3.3.9 Personal Data Related Incidents

Crown Estate Scotland had no significant or reportable data-related incidents during 2021-22.

3.3.10 Public Services Reform (Scotland) Act 2010

In accordance with the Public Services Reform (Scotland) Act 2010, Crown Estate Scotland has published the information on expenditure and certain other matters as required on the Crown Estate Scotland [website](#).

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
12 August 2022

3.4 Remuneration and Staff Report

Remuneration Policy

Crown Estate Scotland operates in line with the provisions of the Scottish Government's Public Sector Pay Policy. The annual pay award is negotiated with our recognised trade union, PCS, within the parameters set by the Scottish Government Pay Policy.

In 2021-22, due to COVID-19, the Scottish Government agreed an interim pay award which was implemented in May 2021 and backdated to April 2021. A further pay claim was subsequently received from PCS on behalf of staff and implemented in February 2022.

Service Contracts

Our staff are crown servants. Crown Estate Scotland did not operate a remuneration committee in 2021-22 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.

Board members are appointed by the Scottish Ministers in accordance with the Crown Estate Scotland 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		Benefits in kind £(nearest 100)		Total £'000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Amanda Bryan (Non-executive member, Chair of the Board)	15-20	15-20	400	7,300	15-20	25-30
Ann Allen (Non-executive member, Chair of the Investment Committee)*	0-5	-	100	-	0-5	-
Michael Foxley (Non-executive member)	5-10	5-10	-	1,500	5-10	5-10
Liz Leonard (Non-executive member)	5-10	5-10	-	200	5-10	5-10
Jean Lindsay (Non-executive member)	5-10	5-10	-	400	5-10	5-10
Andrew Macdonald (Non-executive member)	5-10	5-10	-	3,500	5-10	5-10
Robert Mackenzie (Non-executive member, Chair of the Audit & Risk Committee)	5-10	5-10	-	1,800	5-10	5-10
Euan McVicar (Non-executive member)*	0-5	-	-	-	0-5	-
Richard Morris (Non-executive member)**	0-5	5-10	-	1,200	0-5	5-10
Hugh Raven (Non-executive member)***	-	-	-	600	-	0-5
Alister Steele (Non-executive member)	5-10	5-10	-	100	5-10	5-10

* appointed on 28 June 2021

** stepped down on 30 April 2021

*** stepped down on 31 January 2020.

Board members did not receive any bonuses or performance related pay. All members noted above served throughout the financial year unless stated otherwise.

The monetary value of benefits in kind covers any benefits provided by Crown Estate Scotland and treated by HM Revenue & Customs (HMRC) as a taxable emolument. The disclosed benefits in kind include income tax and national insurance liabilities that are met by Crown Estate Scotland. In line with Scottish Government guidance, which states that

Board members of public bodies such as Crown Estate Scotland should not be out of pocket for expenses that result from their appointment, Crown Estate Scotland reimburses travel and other related expenses incurred by Board members in the performance of their duties. During 2020-21 Crown Estate Scotland made a voluntary disclosure to HMRC covering the period from 1 April 2017 to 31 March 2020 relating to a historical error in the treatment of some Board member expenses. The figure shown in 2020-21 above therefore includes the impact of this disclosure.

Remuneration and pension benefits of the Chief Executive and Executive Team (subject to audit opinion)

The salary and pension entitlements of Crown Estate Scotland's Chief Executive and Executive Team are shown below. All staff were in post for the full period unless otherwise noted.

Simon Hodge has been Chief Executive and Accountable Officer since 11 April 2018.

	Salary £'000		Pension Benefits* £'000		Total £'000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Simon Hodge – Chief Executive	110-115	110-115	41	124**	151-156	230-235
Esther Black – Director of Operations (0.8 FTE)	70-75 (85-90 FTE)	65-70 (85-90 FTE)	33	33	100-105	100-105
Oster Milambo – Director of Property***	45-50 (85-90 FTE)	n/a	19	n/a	65-70	n/a
Alastair Milloy – Director of Finance and Business Services	85-90	85-90	34	33	120-125	115-120
Colin Palmer – Director of Marine	90-95	90-95	35	35	125-130	125-130
Andrew Wells – Director of Property until 31 August 2021****	60-65 (85-90 FTE)	85-90	18	46	80-85	130-135

* 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.

** Value updated from published 2020-21 accounts due to retrospective update for added pension

*** Appointed 15 September 2021. FTE salary presented reflects full year salary.

**** Andrew Wells' full remuneration for the year has been disclosed. On 01 September 2021 he took on the part time (0.5 FTE) role of Investment Sales and Programme Director. This role is not part of the Crown Estate Scotland Executive Team. The FTE salary disclosed is what would have been paid to Andrew Wells if he had been full time for the full year.

	Accrued pension at pension age as at 31.03.22 £'000 2021-22	Real increase in pension and related lump sum at pension age £'000 2021-22	CETV at 31.03.22 £'000 2021-22	CETV at 31.03.21 £'000 2020-21	Real increase in CETV £'000 2021-22
Simon Hodge	60-65 plus a lump sum of 150-155	0-2.5 plus a lump sum of 0	1,396	1,296	26
Esther Black	5-10	0-2.5	100	74	12
Oster Milambo	0-5	0-2.5	12	0	9
Alastair Milloy	0-5	0-2.5	55	29	20
Colin Palmer	5-10	0-2.5	67	46	14
Andrew Wells	35-40 plus a lump sum of 100-105	0-2.5 plus a lump sum of 0-2.5	839	778	14

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

Crown Estate Scotland does not operate a bonus scheme.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. The only benefits in kind provided in the period related to the reimbursement of some Board member expenses which are considered by HMRC to be taxable.

Exit packages

Crown Estate Scotland paid one exit package in 2021-22, it had a value of £15-20k. There were no exit packages paid or agreed in 2020-21.

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

Crown Estate Scotland pension benefits are provided through the Civil Service pension arrangements. We have three categories of pension provision. These are:

- alpha, otherwise known as the Civil Servants and Others Pension Scheme, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher);
- Principal Civil Service Pension Scheme (PCSPS) which has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65; or
- A Partnership pension account, which is a stakeholder pension arrangement. The employee chooses a stakeholder pension product from the appointed provider – Legal & General.

The alpha and PCSPS schemes are statutory arrangements which are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will also match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Employer contributions were payable at one of four rates ranging from 26.6% to 30.3% (2020-21: 26.6% to 30.3%) of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Both alpha and PCSPS are unfunded multi-employer defined benefit schemes. As a result we are unable to identify our share of the underlying assets or liabilities. In 2021-22, employer's pension contributions of £0.8m (2020-21: £0.7m) were paid to the PCSPS and other pension providers.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Fair Pay Disclosure (subject to audit opinion)

	2021-22	2020-21
Band of highest paid employee's total remuneration £'000	110-115	110-115
Remuneration range £'000	20-115	19-115
Median total remuneration £	48,513	50,483
Median pay ratio	2.32	2.2
25th percentile remuneration £	39,354	34,506
25th percentile pay ratio	2.86	3.26
75th percentile remuneration £	68,724	69,411
75th percentile pay ratio	1.64	1.62

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Total remuneration includes salary only. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. 25th, 75th and median remuneration excludes the highest paid employee. The median remuneration has decreased 4% year on year. This is due to a greater proportion of the new roles created in the year being created at lower than prior year median remuneration. As these roles have been created above the prior year 25 percentile banding this has increased the 25 percentile ratio year on year.

Staff Report

As at 31 March 2022 there were 64 staff in post and nine 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 (subject to audit opinion)

	Head Count 2021-22		Head Count 2020-21		Permanent Staff FTE 2021-22		Permanent Staff FTE 2020-21	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	5	4	5	3	n/a	n/a	n/a	n/a
Senior Management	4	1	4	1	4	1	4	1
Other Staff	27	32	25	24	26	31	24	23

Gender composition figures are based on available information. We do not currently hold gender data on all staff and non-executives. More on Board gender diversity is in Section 3.1.

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 contractors in place at 31 March 2022 (0 at 31 March 2021). Staff turnover was 15.3% in 2021-22, of which 33% related to the ending of fixed term contracts. This is compared to 18.2% in 2020-21, of which 50% related to the ending of fixed term contracts.

Trade Union Disclosure

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. This data is published [here on our website](#).

In summary, the total number of employees who were relevant union officials in the period to 31 March 2022 was one. The employees spent 0% of their working hours on facility time, which equated to a cost of nil or 0% of the total wage bill of £4.3m. 100% of the time spent on trade union activities was paid time.

In the period to 31 March 2021 the total number of employees who were relevant union officials was one. The employee spent 1-50% of their working hours on facility time, which equated to a cost of £1,149 or 0.03% of the total wage bill of £3.9m. 100% of time spent on trade union activities was paid time.

Staff Costs (subject to audit opinion)

	2021-22 £m	2020-21 £m
Wages and salaries	3.1	2.8
Social security costs	0.4	0.4
Other pension costs	0.8	0.7
Total costs	4.3	3.9

Sickness Absence Data

Our level of sickness absence for 2021-22 was 3.9 average working days lost per employee (AWDL) (cf. 2020-21 0.9). Adjusting for incidences of long-term sickness the average number of days lost per employee was 1.8 days (cf. 2020-21 0.9 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 unlawful discrimination, harassment, victimisation and other prohibited conduct;
- Advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

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 staff 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 staff;
- 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.

Activity in 2021-22 to enhance our approach to equality and diversity included:

- Developing and finalising our first [Equality, Diversity and Inclusion Plan](#);
- Reviewing and updating our recruitment policy, with input from a D&I specialist;
- Preparing to launch a new recruitment system to enable candidate data collection;
- Starting to collect diversity data for staff;
- Supporting Scottish Government recruitment of new Board members through awareness-raising events with charities working to promote diversity on Boards;
- Sponsoring Full Circle 21, an initiative supporting diversity in renewable energy;
- Sponsoring Scottish Council for Development and Industry's STEM education programme that aims to address lack of diversity;
- Working to establish our new Children and Young People's Forum (to be established in 2022-23); and
- Delivering training for all staff.

Our latest staff survey, conducted in March 2022, shows that 78% staff believe that Crown Estate Scotland is committed to creating a diverse culture. This compares to 43% agreeing with a similar statement in the 2020-21 survey.

The equalities impact assessment for our 2020-23 Corporate Plan can be found on our [website](#).

4. Financial Statements

4. Financial statements

4.1 Independent Auditor's Report

Independent auditor's report to the members of Crown Estate Scotland, the Auditor General for Scotland and the Scottish Parliament.

Reporting 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 for the year ended 31 March 2022 under the Scottish Crown Estate Act 2019. The financial statements comprise the Statements of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Capital and Reserves and notes to the financial statements including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Scottish Crown Estate Act 2019 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- have been prepared in accordance with the requirements of the Scottish Crown Estate Act 2019 and directions made thereunder by the Scottish Ministers.

Basis for 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 five 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's 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 there is an intention to discontinue the body's operations.

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting 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. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Scottish Crown Estate Act 2019 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

- the information given in the Performance Report 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 Scottish Crown Estate Act 2019 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 Scottish Crown Estate Act 2019 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.

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

Joanne Brown, for and on behalf of, Grant Thornton UK LLP
110 Queen Street
Glasgow
G1 3BX

Date: Monday 15th August, 2022

4.2 Statements of comprehensive income

For the year ended 31 March 2022

Revenue account

	Note	2021-22 £m	2020-21 £m
Revenue	6	28.4	21.6
Costs	7	(10.5)	(7.9)
Net operating profit before depreciation, capital transfer agreements and Statutory transfers		17.9	13.7
Depreciation of tangible fixed assets	18	(0.2)	(0.1)
Net operating profit before capital transfer agreements and Statutory transfers		17.7	13.6
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 and by capital transfer agreements	10	(1.8)	(1.9)
Statutory transfers	13	(0.2)	(0.2)
Net consolidated revenue account profit		15.7	11.5
Statement of comprehensive income of the revenue account			
Net revenue account profit – distributable to the Scottish Government Consolidated Fund		15.7	11.5
Total comprehensive revenue account profit		15.7	11.5

Capital account

	Note	2021-22 £m	2020-21 £m
Revenue	6	0.2	0.1
Charge from revenue for salary costs	9	(1.1)	(1.1)
Net revaluation gains in property and investments (including profit/(loss) on disposal)	11	110.4	26.3
Capital profit before capital transfer agreements and Statutory transfers		109.5	25.3
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 and by capital transfer agreements	10	1.8	1.9
Statutory transfers	13	0.2	0.2
Net capital account profit		111.5	27.4
Statement of comprehensive income of the capital account			
Net capital account profit		111.5	27.4
Total comprehensive capital account profit		111.5	27.4

4.3 Statement of financial position

As at 31 March 2022

	Note	2021-22 £m	2020-21 £m
Assets			
Non-current assets			
Investment properties	15	568.1	455.5
Owner occupied property	16	0.1	0.1
Plant and equipment	18	0.7	0.8
Receivables due after one year	19	5.9	6.2
Total non-current assets		574.8	462.6
Current Assets			
Trade and other receivables	20	13.6	13.1
Cash and cash equivalents	21	48.7	39.9
Total current assets		62.3	53.0
Total assets		637.1	515.6
Liabilities			
Current Liabilities			
Payables – amounts falling due within one year	22	18.2	15.0
Total current liabilities		18.2	15.0
Payables – amounts falling due after more than one year	22	13.1	6.3
Total liabilities		31.3	21.3
Net assets		605.8	494.3
Capital and reserves			
Capital reserve		605.8	494.3
Revaluation reserve		-	-
Total capital and reserves		605.8	494.3

The Notes to the Accounts, numbered 1 to 28, form an integral part of these Accounts. The Accountable Officer authorised these financial statements for issue on 12 August 2022.



Simon Hodge

Chief Executive and Accountable Officer
Crown Estate Scotland
Friday, 12th August 2022

4.4 Cash Flow Statement

For the year ended 31 March 2022

	Note	2021-22 £m	2020-21 £m
Cash generated from operating activities			
Net operating profit – consolidated revenue account		17.7	13.6
(Increase) / decrease in receivables		(0.5)	(3.5)
Increase / (decrease) in payables		7.8	1.6
(Increase) / decrease in provisions		(0.0)	0.0
Depreciation and impairment		0.2	0.1
Net cash flow from operating activities		25.2	11.8
Cash flows from investing activities			
Capital expenditure on investment properties		(5.7)	(3.7)
Proceeds from disposal of investment properties		1.0	4.0
Purchase of investment properties		(0.1)	(3.8)
Purchase of plant and equipment		(0.1)	(0.4)
Other capital receipts		2.0	0.2
Net cash flow from investing activities		(2.9)	(3.7)
Cash flows from financing activities			
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents before Scottish Government Consolidated Fund payment			
		22.3	8.1
Scottish Government Consolidated Fund payment		(13.5)	(10.0)
Increase in cash in the year after Scottish Government Consolidated Fund payment			
		8.8	(1.9)
Cash and cash equivalents at start of the year		39.9	41.8
Cash and cash equivalents at end of the year	21	48.7	39.9

4.5 Statement of changes in capital and reserves

For the year ended 31 March 2022

	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 2021	-	494.3	-	494.3
Net profit for the financial year	15.7	111.5	-	127.2
Introduction of capital	-	-	-	-
Other comprehensive income	-	-	-	-
Revaluation deficit of owner occupied properties	-	-	-	-
Total comprehensive profit for the year ended 31 March 2022	15.7	111.5	-	127.2
Due to the Scottish Government Consolidated Fund – paid in year	(6.0)	-	-	(6.0)
Due to the Scottish Government Consolidated Fund – payable	(9.7)	-	-	(9.7)
As at 31 March 2022	-	605.8	-	605.8

4.6 Notes to the financial statements

1. Basis of preparation

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 34 of the Scottish Crown Estate Act 2019. 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 United Kingdom 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 directions issued by Scottish Ministers under the Scottish Crown Estate Act 2019.

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 Scottish Crown Estate Act 2019 on the financial statements

Crown Estate Scotland is a body corporate regulated by Statute and domiciled in the United Kingdom. The provisions of the Scottish Crown Estate Act 2019, 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. Sections 28 and 29 of the Scottish Crown Estate Act 2019 require 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.

Section 30 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 20 years or less and to the capital account if the lease is for a term exceeding 20 years; and

- net earnings from mineral workings shall be split between the capital and revenue account in proportions set out in a direction to Ministers under Scottish Crown Estate Act 2019 section 37(l). The Ministerial Direction this transfer is made under is set out in Appendix 2.

To meet the requirements of the Scottish Crown Estate Act 2019, 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.

Treasury agreements

The Scottish Crown Estate Act 2019 (Section 29) 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 (see the Ministerial Direction in Appendix 2), the mechanism by which the revenue account is charged is calculated as an amount equivalent to 9% of the previous year's gross revenue and after taking into account depreciation of plant and equipment.

Changes in accounting policies in year

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. No financial standards have been adopted during the financial year.

Events after the reporting period

No adjusting events have occurred between the 31 March reporting date and the date of authorisation. In April 2022 Crown Estate Scotland signed 17 ScotWind 10 year seabed option agreements. This brought in £699.3m revenue cash. Further information can be found [here](#).

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. Leases

At the inception of a contract Crown Estate Scotland assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right for either Crown Estate Scotland or its customers to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Crown Estate Scotland assesses whether;

- the contract involves the use of an identified asset, which is physically distinct or represents substantially all of the capacity of a distinct asset and there are no substantive substitution rights;
- the contract conveys the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the lessee has the right to direct the use of the asset.

Where Crown Estate Scotland acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, Crown Estate Scotland makes an overall assessment of whether the lease substantially transfers all of the risks and rewards of ownership of the underlying asset to the lessee. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Where a premium is received in exchange for the grant of a long leasehold interest (over 20 years), 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 Scottish Crown Estate Act 2019 a lease premium received on the grant of a lease with a lease term of 20 years or less is released to revenue in the consolidated revenue account over the life of the lease.

2c. 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:** 2-4 years (software included to end of current contract term)
- **Fixtures and Fittings:** 4 years
- **Office equipment:** 4 years

Useful lives and estimated residual values are reviewed annually.

2d. Revenue

Lease and non-lease revenue is recorded net of VAT and only to the extent that the economic benefit is expected to flow to Crown Estate Scotland.

Lease revenue

The majority of income arises from leases the determination of which is described in note 2b.

Rental invoices are recognised at the point of issue, and income is recognised on a straight-line basis over the term of the lease from commencement to the earliest termination date. A liability is recognised for invoices raised in respect of unsatisfied performance obligations and reports these amounts as payables in the Statement of financial position (see note 22). 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.

The table below shows the proportion of Crown Estate Scotland's income which arises from leases, the accounting for which is described above.

Total revenue recognised under IFRS15 (revenue from contracts with customers) is £5.0m (£4.7m 2020-21). Licence revenue from undersea cable, pipelines and interconnectors, and coastal moorings is £3.9m (2020-21 £3.6m).

Revenue breakdown

	2021-22 £m	2020-21 £m
Lease revenue	23.4	16.9
Other revenue from contracts with customers	5.0	4.7
	28.4	21.6

Non lease revenue

Non lease revenue is recognised using a five step model; identification of the contract, identification of the performance obligations within the contract, determination of the transaction price, allocation of the price to the performance obligations, then revenue is recognised as the performance obligations are fulfilled.

Revenue is recorded net of VAT and only to the extent that economic benefit is expected to flow to Crown Estate Scotland. Invoices are recognised at the point of issue with a liability recognised for invoices raised in respect of unsatisfied performance obligations and these amounts are reported as payables in the Statement of financial position (see note 22).

The different types of non-lease revenue are described below:

- **Licence revenue**

Licence revenue arises primarily from granting customers rights to lay under-sea pipes or cables and granting coastal rights, such as mooring fees. Licences share many of the same terms and attributes as leases, but do not qualify as leases as the asset is not explicitly identified within the contract. Revenue from licences is recognised on a straight-line basis over the term of the licence. Customers typically pay licence fees before the services are rendered and are primarily commercial organisations that operate across a wide range of sectors.

- **Option fee revenue**

Option fee revenue arises when developers enter into a contract with a right to carry out various investigations / apply for consents. These are often for sea based activities such as offshore wind and undersea cables and pipelines where investigation and consents are needed prior to entering into a lease. There is no interest created in the underlying property, and therefore it is not considered to be a lease. Revenue from option fees is recognised on a straight-line basis over the option period. Customers typically pay option fees before the service is rendered.

- **Forestry revenue**

Forestry revenue arises from the sale of timber that has been felled, sold, and removed from site, so the ownership has passed to the purchaser from Crown Estate Scotland.

- **Other income including royalty income**

Royalty income is received in return for the extraction of minerals and aggregates from the land and seabed by customers or their agents. Royalty income is recognised as the minerals are extracted and is invoiced in arrears. Contracts, performance obligations, and prices relating to performance obligations are clearly defined in writing and revenues are received as performance obligations are met.

2e. 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.

2f. 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 Order 2017.

2g. The Principal Civil Service Pension Scheme (PCSPS) and Civil Servants and Others Pension Scheme (alpha)

The PCSPS and alpha are unfunded multi-employer defined benefit schemes. Crown Estate Scotland is unable to identify its share of the underlying assets and liabilities and as such has accounted for the schemes as defined contribution schemes. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

2h. Financial instruments

The only financial assets held are trade and other receivables and finance lease receivables. The only financial liabilities held are trade and other payables. Crown Estate Scotland considers that the carrying amount of its financial assets and liabilities are a reasonable approximation of their fair value.

Trade receivables are initially measured at transaction price. The IFRS9 simplified model of recognising expected credit losses is applied as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed individually with the loss rate based on the expected outcome for each item. Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. This is determined on an individual basis (see note 20).

3. Significant judgements, key assumptions and estimates

3a. 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.

Crown Estate Scotland commissions independent valuations of its assets on an annual basis. A total of 10 individual valuations of asset types are carried out. All such valuations are conducted by independent, registered valuers, in strict accordance with Royal Institute of Chartered Surveyors 'Valuation – Global Standards' (RICS Red Book) requirements.

For illustrative purposes, a 10% change in valuation would be expected to have a £56.8m impact on the Statement of Financial Position.

4. Changes in accounting policies not yet adopted

At the date of authorisation of these financial statements, IFRS 16 was issued but not yet adoptive. IFRS 16 – Leases is effective from the financial year ending 31 March 2023. The projected impact of this is not expected to be material. As part of the adoption of IFRS 16, during 2022-23 Crown Estate Scotland will undertake a review of revenue, both lease and non lease, to ensure that all relevant revenue is considered under IFRS 16 when it is adopted.

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 2022	Year ended 31 March 2021
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Rent and royalties	6	3.2	4.3	18.9	0.9	-	27.3	20.5
Produce	6	0.5	-	-	-	-	0.5	0.3
Other income	6	0.1	-	0.4	0.1	-	0.6	0.8
Revenue		3.8	4.3	19.3	1.0	-	28.4	21.6
Direct costs:								
Management fees and costs	7	(1.1)	(0.7)	(0.3)	(0.1)	-	(2.2)	(2.1)
Repairs and maintenance	7	(1.8)	-	-	-	-	(1.8)	(0.8)
Other direct expenditure	7	(0.9)	(0.1)	(0.5)	(0.1)	-	(1.6)	(1.4)
Total direct costs		(3.8)	(0.8)	(0.8)	(0.2)	-	(5.6)	(4.3)
Gross profit		(0.0)	3.5	18.5	0.8	-	22.8	17.3
Indirect costs:								
Administrative expenses	8	(0.3)	(0.0)	(0.3)	-	(4.3)	(4.9)	(3.6)
Total indirect costs		(0.3)	(0.0)	(0.3)	-	(4.3)	(4.9)	(3.6)
Operating profit/(loss)		(0.3)	3.5	18.2	0.8	(4.3)	17.9	13.7
Investment income		-	-	-	-	-	-	-
Net operating profit/(loss) before depreciation, capital transfer agreements and Statutory transfers		(0.3)	3.5	18.2	0.8	(4.3)	17.9	13.7
Depreciation of tangible fixed assets	18	-	-	-	-	(0.2)	(0.2)	(0.1)
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		(0.3)	3.5	18.2	0.8	(4.5)	17.7	13.6
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	10	-	-	-	-	(1.8)	(1.8)	(1.9)
Statutory transfers	13	-	-	-	-	(0.2)	(0.2)	(0.2)
Net revenue account profit/(loss) distributed to the Scottish Government Consolidated Fund		(0.3)	3.5	18.2	0.8	(6.5)	15.7	11.5

Capital Account

							Year ended 31 March 2022	Year ended 31 March 2021
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Income from sale or leases	6	-	-	0.2	-	-	0.2	0.1
Charge from revenue account for salary costs	9	(0.3)	-	(0.7)	-	(0.1)	(1.1)	(1.1)
Net revaluation gain/loss on investment property (including profit/(loss) on disposal)	11	26.9	2.5	80.6	0.4	-	110.4	26.4
Capital profit before capital transfer agreements and Statutory Transfers		26.6	2.5	80.1	0.4	(0.1)	109.5	25.4
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	10	-	-	-	-	1.8	1.8	1.9
Statutory transfers	13	-	-	-	-	0.2	0.2	0.2
Net capital account profit		26.6	2.5	80.1	0.4	1.9	111.5	27.5

Consolidated Statement of Financial Position

							Year ended 31 March 2022	Year ended 31 March 2021
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Non-current assets:								
Investment properties	15	157.2	40.8	361.1	9.0	-	568.1	455.5
Owner occupied property	16	0.1	-	-	-	-	0.1	0.1
Plant and equipment	18	0.1	0.3	-	-	0.3	0.7	0.8
Receivables due after one year	19	0.2	-	5.7	-	-	5.9	6.2
Total non-current assets		157.6	41.1	366.8	9.0	0.3	574.8	462.6
Unallocated current assets							62.3	53.0
Unallocated liabilities							(31.3)	(21.3)
Net assets							605.8	494.3
Acquisitions and capital expenditure	15	2.5	0.1	3.1	-	0.1	5.8	7.5

6. Revenue

		Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Revenue account			
Rent and royalties		273	20.5
Produce		0.5	0.3
Other income		0.6	0.8
Total revenue reflected in the revenue account		28.4	21.6
Capital account revenue			
Revenue – amortisation of income from grant of lease premia		0.2	0.1

7. Costs

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Management fees and costs	2.2	2.1
Repairs and maintenance	1.8	0.8
Other direct expenditure	1.6	1.4
Administrative expenses (see note 8)	4.9	3.6
Total costs reflected in revenue account	10.5	7.9

8. Administrative Expenses

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Members' remuneration	0.1	0.1
Management and administration expenses	4.8	3.5
	4.9	3.6

Auditors' remuneration of £79,455 (2020-21: £67,962) is included within Management and administration expenses. This is split between internal audit, £31,566 (2020-21: £28,023), and external audit, £47,890 (2020-21: £38,245). Fees paid to internal auditors during 2021-22 for non-audit services £18,310 (2020-21 £3,445).

9. Staff Costs

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Wage and salaries	3.1	2.8
Social security costs	0.4	0.4
Pension costs defined benefit scheme	0.8	0.7
Total staff costs	4.3	3.9
Less staff costs charged to capital account	(1.1)	(1.1)
Staff costs reflected in the revenue account	3.2	2.8
Included in:		
Administrative expenses	2.0	1.8
Direct costs	1.2	1.0
Charged to the capital account	1.1	1.1
	4.3	3.9
	Number	Number
The average number of employees during the year	59	55

A full analysis of these costs, are included within the Remuneration Report.

10. Recovery of capital expenditure under the Scottish Crown Estate Act 2019 and by capital transfer agreement

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £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	1.8	1.9
Depreciation of fixed assets charged as costs in the income account	0.2	0.1
Total recovered under capital transfer agreements	2.0	2.0

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Reflected in the capital account:		
Surplus on revaluation of investment properties	110.2	25.1
Adjustment for gross up for deferred rent movement	(0.2)	(0.1)
Gain on disposal of investment properties	0.4	1.3
Deficit on revaluation of owner occupied properties	-	-
Net revaluation gains on investment property (including profit/(loss) on disposal)	110.4	26.3

12. 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.

IFRS 9 was brought into effect on 1 January 2018 and replaces IAS 39. The only financial assets held are trade and other receivables, and finance lease receivables. Crown Estate Scotland has no financial liabilities except trade and other payables and finance lease liabilities.

IFRS 9 does not apply to finance lease receivables or liabilities which are subject to IFRS 16.

Trade receivables are measured at transaction price, utilising the exception for trade receivables which are not subject to a material finance element. Expected credit losses are calculated using the simplified approach.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Long term receivables (note 19)	5.9	6.2
Trade receivables (note 20)	6.6	9.8
Other receivables (note 20)	-	-
Accrued income (note 20)	6.6	3.1
Cash and Cash Equivalents (note 21)	48.7	39.9
	67.8	59.0

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Long term payables (note 22)	13.1	6.3
Trade payables (note 22)	0.9	0.9
Rent and other income received or invoiced in advance (note 22)	4.5	4.5
Accrued expenditure (note 22)	1.3	0.9
Due to the Crown Estate Commissioners (note 22)	0.1	0.1
Due to the Scottish Government Consolidated Fund (note 22)	9.7	7.5
	29.6	20.2

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 Scottish Crown Estate Act 2019, 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 based on amortised cost in the balance sheet. All short term financial assets and liabilities are classified as Level 1 within the value hierarchy as defined within IFRS 13. The long term payable is classified as level 3, and all investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13 (see note 17).

13. Statutory Transfers

Under the provisions of the Scottish Crown Estate Act 2019 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 as per the Ministerial Direction set out in Appendix 2.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Transfer from revenue account to capital account:		
Mining and/or mineral dealings	0.2	0.2

14. 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. £6.0m (2020-21: £4.0m) was paid to the Scottish Government prior to the year end and a further £9.7m (2020-21: £7.5m) is included within payables.

15. Investment Properties

Portfolio	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Fair value at 1 April 2021	129.0	38.4	279.5	8.6	-	455.5
Acquisitions	0.1	-	-	-	-	0.1
Capital expenditure	2.4	-	3.2	-	0.1	5.7
Capital receipts	0.0	-	(1.5)	0.0	-	(1.5)
Disposals	(0.7)	-	-	-	-	(0.7)
Revaluation	26.4	2.4	80.1	0.4	(0.1)	109.2
At closing valuation	157.2	40.8	361.3	9.0	-	568.3
Deferred income from lease premia received	-	-	(0.2)	-	-	(0.2)
Fair value at 31 March 2022	157.2	40.8	361.1	9.0	-	568.1

Included in deferred income from lease premia received is £195,492 (2020-21: £122,008), amortised in accordance with the provisions of the Scottish Crown Estate Act 2019 (section 30).

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 2022 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 17.

16. Owner occupied property

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Fair value at opening	0.1	0.1
Capital expenditure	-	-
Disposal	-	-
Revaluation	-	-
Fair value closing	0.1	0.1

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 2022 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 17.

17. 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 - Global Standards 2017 - UK national supplement published by the RICS (the RICS Red Book) and VGPA 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 2022 £m	Predominant valuation technique	Key observable inputs	Range	Principal valuer
Rural and Coastal portfolio:					
Agricultural (including Development Land)	107.9	Comparable / Investment	Proportion of vacant possession Yield	53.5% 2%-50%	Strutt & Parker
Coastal	40.8	Investment	Yield	7.75%-14.5%	Savills
Forestry	46.6	Comparable	Land and timber value	£8,600-£15,200 (Av £ p Ha)	Strutt & Parker
Minerals	2.8	Investment	Yield	7%-15%	Wardell Armstrong
	198.1				
Marine portfolio:					
Renewables – Offshore Wind	288.6	Investment/DCF	Yield Discount rates	4.5%-20% 7.25%-22.75%	Savills
Renewables – Wave & Tidal and Carbon Capture & Storage	0.3	DCF	Discount rates	10%-27.5%	Powis Hughes
Cables & Pipelines	25.5	Investment	Yield	7.25%-12%	Powis Hughes
Aquaculture	46.7	Investment	Yield	9.0%-17.9%	Savills
	361.1				
Urban portfolio:					
Offices	4.6	Investment	ERV Yield	£21-£22 psf 6.25% - 7.25%	JLL
Retail	4.4	Investment	ERV Yield	£100 psf ZA 7.00%	JLL
	9.0				
Total all portfolios at valuation	568.2				

Owner occupied property valued at £0.1m 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 current and proposed wind farm has been valued individually using the Investment Method. Separate calculations have been run on each element of rental income (ie the minimum rent and top up rent) applying a range of yield and discount factors depending on the specifics of the project. As a cross check, a discounted cash flow has been undertaken with appropriate discount rates for the differing stages of the development process. Both valuation methods take account of the different leasing and rental structures used for each of the development rounds e.g. Round 1, STW, Test & Demonstration and Round 3.

Strategic land

Hope value for Strategic land is not included in the Fair value reported for the portfolio. The land is included at existing use value.

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 wind farms 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.

Crown Estate Scotland commissions independent valuations of its assets on an annual basis. A total of 10 individual valuations of asset types are carried out. All such valuations are conducted by independent, registered valuers, in strict accordance with Royal Institute of Chartered Surveyors 'Valuation – Global Standards' (RICS Red Book) requirements.

For illustrative purposes, a 10% change in valuation would be expected to have a £56.8m impact on the Statement of Financial Position.

18. Plant and equipment

2021/22	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
Cost at 1 April 2021	0.5	0.0	0.6	0.1	0.1	1.3
Additions	-	0.0	0.0	0.1	0.0	0.1
Disposals	-	-	-	-	-	-
Cost at 31 March 2022	0.5	0.0	0.6	0.2	0.1	1.4
Depreciation at 1 April 2021	0.1	0.0	0.4	0.0	0.0	0.5
Charge	0.1	0.0	0.0	0.1	0.0	0.2
Disposals	-	-	-	-	-	-
Total depreciation at 31 March 2022	0.2	0.0	0.4	0.1	0.0	0.7
Net book value at 31 March 2021	0.4	0.0	0.2	0.1	0.1	0.8
Net book value at 31 March 2022	0.3	0.0	0.2	0.1	0.1	0.7

2020/21	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
Cost at 1 April 2020	0.5	0.0	0.5	0.0	0.0	1.0
Additions	-	0.0	0.2	0.1	0.1	0.4
Disposals	-	0.0	(0.1)	0.0	0.0	(0.1)
Cost at 31 March 2021	0.5	0.0	0.6	0.1	0.1	1.3
Depreciation at 1 April 2020	0.1	0.0	0.4	0.0	0.0	0.5
Charge	0.0	0.0	0.1	0.0	0.0	0.1
Disposals	-	0.0	(0.1)	0.0	0.0	(0.1)
Total depreciation at 31 March 2021	0.1	0.0	0.4	0.0	0.0	0.5
Net book value at 31 March 2020	0.4	0.0	0.1	0.0	0.0	0.5
Net book value at 31 March 2021	0.4	0.0	0.2	0.1	0.1	0.8

19. Receivables due after one year

	As at 31 March 2022 £m	As at 31 March 2021 £m
Other receivables	5.9	6.2

20. Trade and other receivables

	As at 31 March 2022 £m	As at 31 March 2021 £m
Trade receivables	6.6	9.8
Other receivables	0.0	0.0
Prepayments	0.4	0.2
Accrued Income	6.6	3.1
	13.6	13.1

Trade and other receivables are shown after deducting provisions for bad and doubtful debts of £151,962 (£116,246 in 2020-21). 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. During the year net debts of £2,459 were written off (2020-21 £41,340).

Receivables from contracts with customers as at 31 March 2022 was £1.0m (as at 31 March 2021 £1.1m). Accrued income arising from contracts with customers as at 31 March 2022 was £0.1m (£0.05m as at 31 March 2021). It is expected all will be invoiced within 6 months of the year end (31 March 2021: 6 months).

21. Cash and Cash Equivalents

	£m
Balance as at 1 April 2021	39.9
Net change in cash and cash equivalents	8.8
Balance as at 31 March 2022	48.7
The following balances were held within:	
Revenue account	5.6
Capital account	43.1
Balance as at 31 March 2022	48.7

22. Payables

	As at 31 March 2022 £m	As at 31 March 2021 £m
Amounts falling due within one year:		
Trade payables	0.9	0.9
Rent and other income received or invoiced in advance	4.5	4.5
VAT and other taxes payable	1.1	0.8
Due to the Crown Estate Commissioners	0.1	0.1
Due to the Scottish Government Consolidated Fund	9.7	7.5
Accrued expenditure	1.4	0.9
Deferred income	0.5	0.3
	18.2	15.0
Amounts falling due after more than one year		
Deferred income on grant of long leases	13.1	6.3
	13.1	6.3

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 2022 £0.1m (31 March 2021: £0.1m) was outstanding to the Crown Estate Commissioners. During the year to 31 March 2022 Crown Estate Scotland received a lease premium of £7.2m on a long lease. In line with the requirements of the Scottish Crown Estate Act 2019 this is being amortised over the length of the lease.

Within the £4.5m rent and other income received or invoiced in advance £2.2m related to income from contracts with customers (as at 31 March 2022 £2.1m). This all related to income to be recognised within 12 months of the balance sheet date.

Within the deferred income balance £0.2m related to option fee income that will be recognised within 12 months of the balance sheet date (as at 31 March 2021 £0.2m).

Within the deferred income on grant of long leases and option fees as at 31 March 2022 £0.6m related to option fee income to be recognised within 1-4 years of the balance sheet date (as at 31 March 2021 £0.7m to be recognised within 1-4 years).

The aggregate value of performance obligations for contracts with customers not fully satisfied as at 31 March 2022 is £84.9m, of which all £4.1m will be recognised in 1 year, £14.1m in 1-5 years and £66.7m in over 5 years.

23. Leasing

Operating leases with tenants

Crown Estate Scotland leases out the majority of its investment properties for average lease terms of 25.4 years to expiry (2020-21; 24 years). Crown Estate Scotland has classified these leases as operating leases because the leases do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The undiscounted future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable operating leases are as follows.

	As at 31 March 2022 £m	As at 31 March 2021 £m
Less than one year	5.3	5.1
Between one and five years	18.3	17.3
More than five years	149.2	133.8
	172.8	156.2

Crown Estate Scotland has no obligations under finance leases. Contingent rents receivable were £16.1m at 31 March 2022 (2020-21 £10.0m).

24. Capital Commitments

At 31 March 2022 capital expenditure of £0.3m had been committed but not yet incurred (2020-21: £0.5m).

25. 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.

26. 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 2022.

Member	Organisation	Position held	Amounts receivable by Crown Estate Scotland		Amounts payable by Crown Estate Scotland		Nature of transaction
			2021-22 £	2020-21 £	2021-22 £	2020-21 £	
Amanda Bryan	Highlands and Islands Enterprise	Board Member	12,880	12,880			Rental income
	Institute of Chartered Foresters	Member of the Institute of Chartered Foresters Professional and Educational Standards Committee and chairs the Committee's Accreditation Subcommittee Pool			463	n/a*	Membership subscription
Michael Foxley	Mallaig Harbour Authority	Member	n/a*	15,450			Rental Income
	University of Highlands and Islands	Chair of Further Education Regional Board	1,320	n/a*	9,224*****	n/a*	Rental Income Training and project expenditure
	MOWI	Son employee *****	1,762,138*****	n/a	2,040	n/a	Rental Income Legal expenditure
Jean Lindsay	Revenue Scotland	Non-Executive Director			nil	nil	Land & Buildings Transaction Tax (LBTT)***
Robert Mackenzie	Ferguson Marine (Port Glasgow) Limited	Director	7,235	7,235			Rental income
Richard Morris**	Forestry Commission	Board member	n/a	8,945			Rental Income

* Board member did not hold related party post during year

** Stepped down from Crown Estate Scotland Board 30 April 2021

*** During the year to 31 March 2022 Crown Estate Scotland purchased two land assets (2020-21 two land assets purchased). Legal advice was sought, and it was determined that LBTT was not due on these transactions

**** £1.3m outstanding at 31 March 2022, does not fall due until 2022/23

***** £516 outstanding at 31 March 2022

***** A Change to Crown Estate Scotland Board code of conduct in Feb 22 means Board Members now need to register interests of close family members.

This disclosure was not previously required

Crown Estate Scotland is a public body, classified as a public corporation with a trading nature, answerable to the Scottish Parliament through Scottish Ministers. 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. See note 14 for further details.

During the period to 31 March 2022 £447,170 (2020-21 £313,897) was payable by Crown Estate Scotland to Marine Scotland for project expenditure, the directorate within the Scottish Government responsible for sponsoring Crown Estate Scotland. As at 31 March 2022 £97,628 was outstanding (nil as at 31 March 2021).

27. Third party deposits

At 31 March 2022 Crown Estate Scotland held £142,499 of tenant deposits on behalf of third parties (2020-21: £159,780).

28. Events after the reporting period

No adjusting events have occurred between the 31 March reporting date and the date of authorisation. In April 2022 Crown Estate Scotland signed 17 ScotWind 10 year seabed option agreements. This brought in £699.3m revenue cash. Further information can be found [here](#).

5. Appendices

Appendix 1



Crown Estate Scotland

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in accordance with section 34 of the Scottish Crown Estate Act 2019, hereby give the following direction:

1. The statement of accounts for the financial year ended 31 March 2021, 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 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 year, and of the state of affairs as at the end of the financial year of Crown Estate Scotland 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

Michael Labourg

Dated: 12 March 2021

Accounts Direction

Schedule 1

To meet the requirements of the Scottish Crown Estate Act 2019 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.

Where a lease premium is received in respect of a lease of less than 20 years the Scottish Crown Estate Act 2019 requires that the income is taken direct to the revenue account.

Appendix 2



Crown Estate Scotland

DIRECTION GIVEN UNDER SECTION 37(1) OF THE SCOTTISH CROWN ESTATE ACT 2019

1. The Scottish Ministers, in exercise of their powers conferred by section 37(1) of the Scottish Crown Estate Act 2019, give the following direction:

The Scottish Ministers direct as follows:

2. This Direction applies to Crown Estate Scotland.

Transfer of sums between income and capital accounts

3. Crown Estate Scotland may transfer a sum of money from their income account to their capital account in the financial year ended 31 March 2022 and in the financial year ended 31 March 2023. The sum that may be transferred in each of those years is to be calculated as 9% of the previous financial year's gross revenue and after taking into account depreciation of plant and equipment.
4. For the avoidance of doubt, Section 3 is applicable only for the two financial years specified above. Any arrangements for future financial years will be set out in any future directions as determined by Scottish Ministers.

Treatment of certain sums

5. The gross annual income received, and any expenses incurred, by Crown Estate Scotland, from or in connection with mining leases or the working of mines or minerals shall be carried or charged as one half to the capital account and one half to the income account.

Signed

Dated 31.03.2022

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