

Annual Report and Accounts to 31 March 2021



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



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

SEE PAGE 13

4.

Involve people in how land, coastline and seabed are managed

SEE PAGE 15

5.

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

SEE PAGE 17

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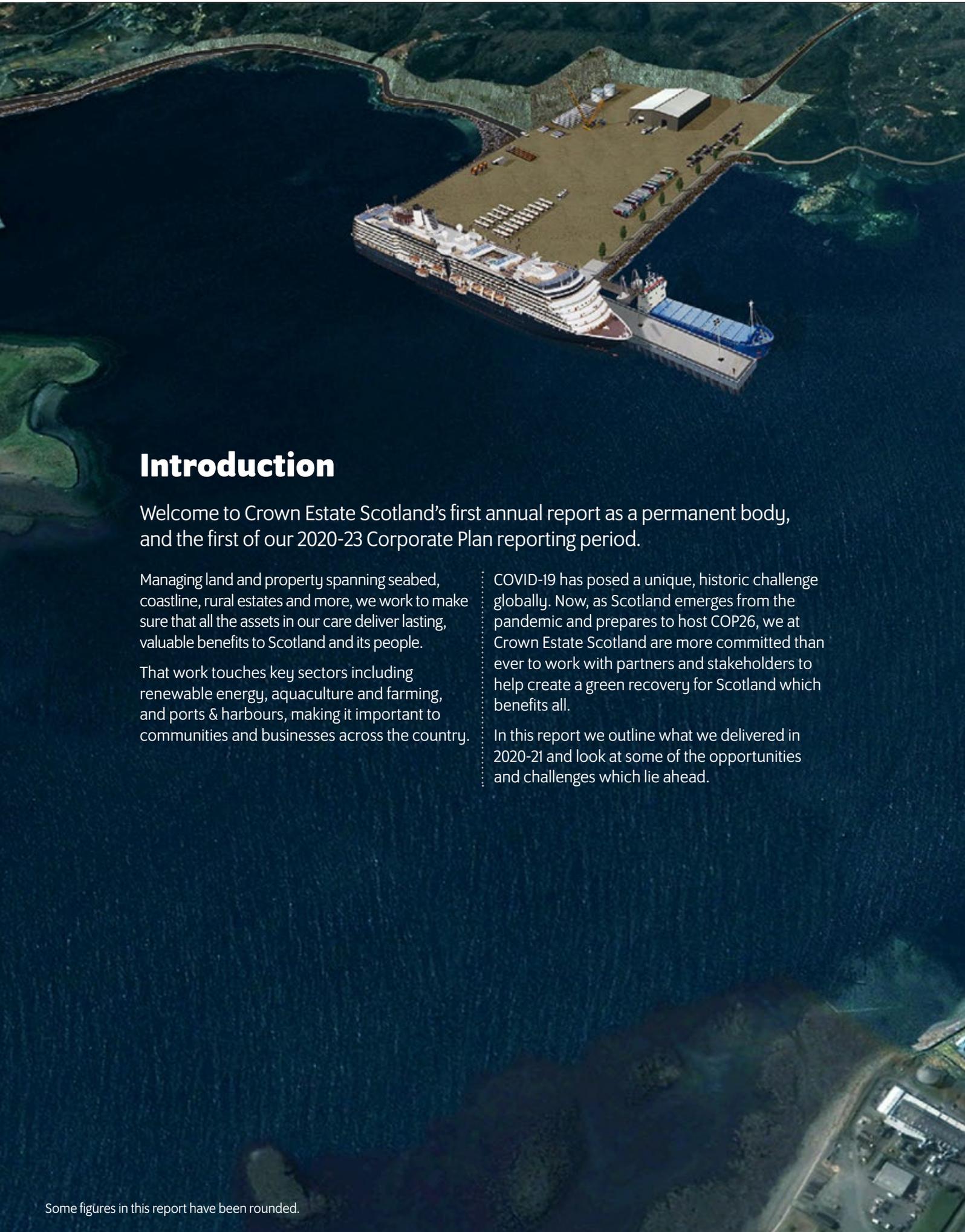
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Introduction

Welcome to Crown Estate Scotland's first annual report as a permanent body, and the first of our 2020-23 Corporate Plan reporting period.

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, valuable 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.

COVID-19 has posed a unique, historic challenge globally. Now, as Scotland emerges from the pandemic and prepares to host COP26, we at Crown Estate Scotland are more committed than ever to work with partners and stakeholders to help create a green recovery for Scotland which benefits all.

In this report we outline what we delivered in 2020-21 and look at some of the opportunities and challenges which lie ahead.

Some figures in this report have been rounded.

1. Overview

1. Overview

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 2020-21.



“

I can sense increasing optimism from our tenants and partners about the months and years to come.

Simon Hodge, Chief Executive

1.1 Statement from the Chief Executive

In the last year, all of us have had to acclimatise to the new realities of work and life during a pandemic.

At Crown Estate Scotland, our team – staff, Board and managing agents – adapted quickly and smoothly to working from home: developing new approaches, maintaining relationships, embracing new technology and supporting key sectors as they grappled with new challenges.

We focused on keeping in close contact with our partners to maintain continuity of service and we worked closely with tenants and stakeholders to manage the impact of COVID-19, particularly those in sectors related to tourism, hospitality and non-essential retail.

In 2020-21, against the challenging backdrop of COVID-19, Crown Estate Scotland continued to deliver against our core purpose: investing to generate lasting value for the people of Scotland.

Our five strategic objectives provide a framework for our annual business plans.

Supporting the sustainable expansion of Scotland's blue economy is the first of those objectives, and an area where we see huge opportunities for Scotland.

Scotland's seabed, managed by Crown Estate Scotland, constitutes 85% of the nation's territory and is increasingly coming into focus as a major driver of green economic growth.

During the year, we were pleased to support that growth on multiple fronts, by:

- Launching ScotWind Leasing (ScotWind), the first round of leasing for offshore wind farms in Scottish waters for a decade. Developer interest has been encouraging, and ScotWind has the potential to make a big, positive impact on both the Scottish economy and the country's progress toward net zero emissions by 2045. You can read more about ScotWind on page 9;
- Committing £0.3m of funding to the Scottish Offshore Wind Energy Council (SOWEC) to support research and development;
- Establishing close links with the UK Oil and Gas Authority to support energy transition;
- Appointing an Energy Ports Development Manager; and
- Investing £0.2m into research and development for sustainable aquaculture.

We also acquired the 123-acre ZeroFour development site at Montrose, profiled on page 11, in line with our goal of **investing in buildings and helping to create great places**. In the coming years, we plan to develop the site into a hub for companies involved with offshore energy and other marine businesses, bolstering both the local economy in Montrose and Scotland's wider green recovery.

In 2020-21, we announced a new partnership with North Ayrshire Council. We are exploring investment opportunities to support the area's regeneration in order to deliver long term, sustainable benefits to communities. We have also entered into two local management pilot agreements, with Forth District Salmon Fisheries Board and the Orkney Islands Council. This illustrates our multi-pronged approach to **involving people in how land, coastline and seabed are managed**.

Our commitment to promoting **new sustainable ways of using natural resources** was woven into our activities in 2020-21. For example, the opportunities we offered to new-entrant farmers came with inbuilt commitments to sustainable innovation; we manage our forests sustainably, and are UKWAS certified; and we delivered online workshop content introducing the Natural Capital Protocol to stakeholders in agriculture and related sectors.

Throughout the year, **we used our skills and knowledge to deliver financial success and help business and communities to thrive**. We will pay £11.5m to the public purse for 2020-21 activities, taking the total for the four years we have been operating to £43.9m. Most of these funds will be redistributed to coastal local authorities who, from 2017-18 and 2018-19 alone, have benefitted from £16.9m.

£11.5m

paid to the public purse

£43.9m

total paid to public purse over 4 years

£16.9m

paid by Scottish Government to coastal local authorities from 2017-19 activity

We have also taken a range of steps to mitigate the impact of COVID-19, including launching a new £750,000 Sustainable Communities Fund and working closely with tenants who are facing particular challenges.

Importantly, our new Wellbeing Matters programme helped colleagues stay healthy and, as new members of the Crown Estate Scotland team joined us, we continued to invest in helping

colleagues connect and feel connected.

Looking ahead to 2021-22, our ambitions to deliver for the people of Scotland will only grow.

We have allocated up to £20.8m for capital investment within the year. This will support development of ZeroFour, and sites at Fochabers and Whitehill, improvements on our rural estates and potential acquisitions that provide new opportunities for place-based partnerships. It will also allow the launch of three new, capital 'challenge funds' of £3m each, which are designed to support investment opportunities in boat-based tourism, natural resources, and local partnerships.

We will progress the first round of ScotWind, bringing Scotland closer to achieving its pivotal net zero emissions goal – and we will work to maximise the positive impact of ScotWind projects throughout the country, by exploring opportunities for investment in ports and harbours, addressing the existing barriers to development of floating wind technology and engaging with stakeholders on key policy issues.

And in the year of COP26, we will work with partners to help showcase Scotland's climate change leadership, start implementing our first Climate Change Action Plan and launch the second round of our Sustainable Communities Fund.

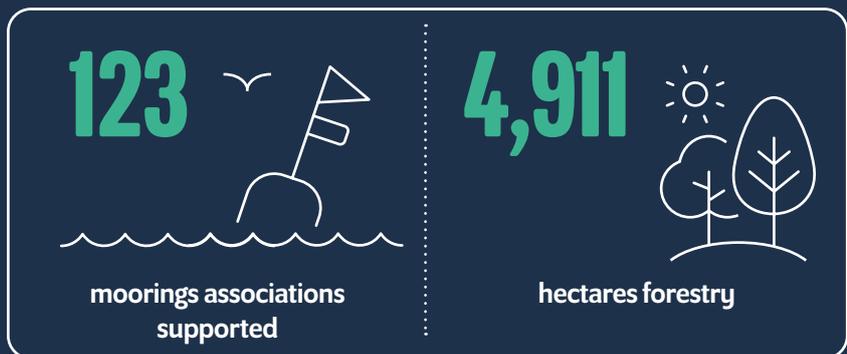
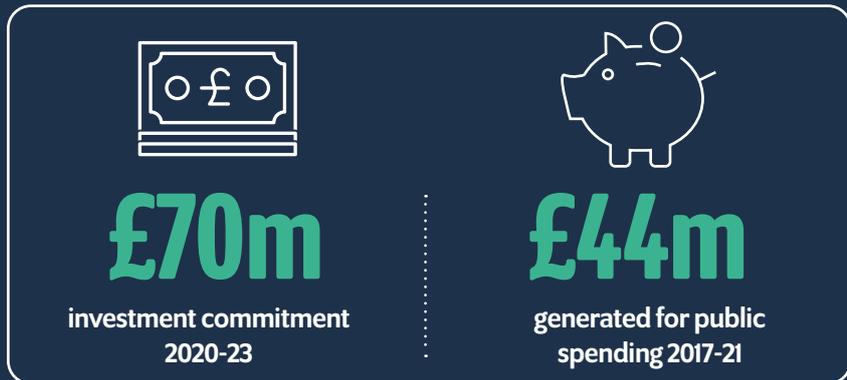
I can sense increasing optimism from our tenants and partners about the months and years to come. We are optimistic too; not only that we can see our families, friends and colleagues again, but that we can play a meaningful role in a Scottish green recovery.



**Simon Hodge, Chief Executive,
Crown Estate Scotland**

28 September 2021

Crown Estate Scotland at a glance¹



¹ Figures as at 31 March 2021.



Amanda Bryan, Chair

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 2021 of £455.6m.

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 Scottish Government. Most of these funds are then redistributed by Scottish Government to coastal local authorities to fund projects benefitting coastal communities.¹ From our first two years of operating alone £16.9m was allocated 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 See <https://www.gov.scot/news/support-for-coastal-communities-1>

² See <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations-2020-to-20>

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:

- Marine (Aquaculture; Energy & Infrastructure);
- Coastal;
- Rural Land; and
- Buildings & Places.⁴

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 2021, we had 54 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 Estate.

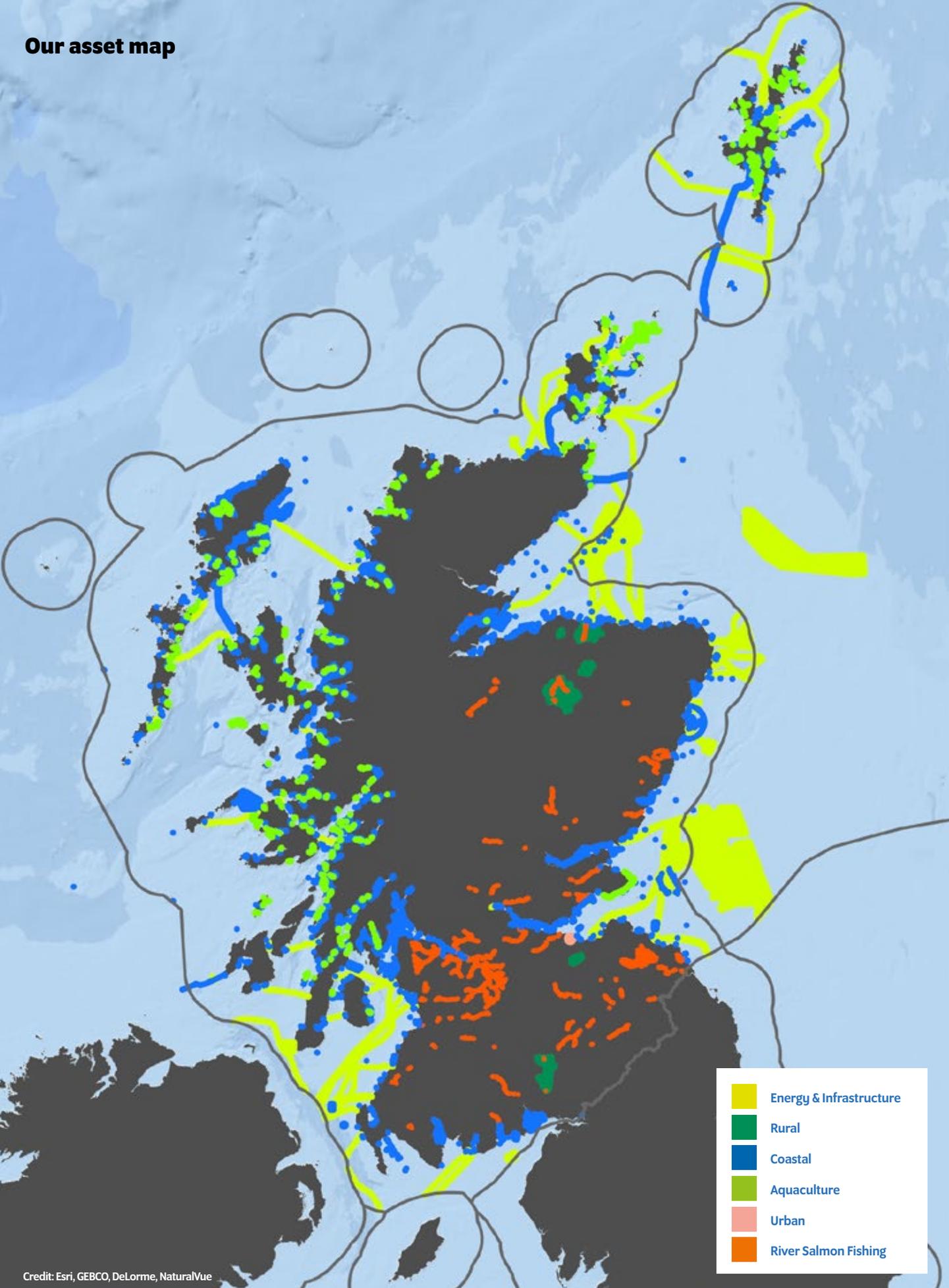
Our 2020-23 Corporate Plan sets out how we align with the National Performance Framework and contribute to work to address the climate emergency.

A description of each of our 2020-23 strategic objectives and how our work in 2020-21 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 and we expect the 2021-22 Annual Report & Accounts to align with these.

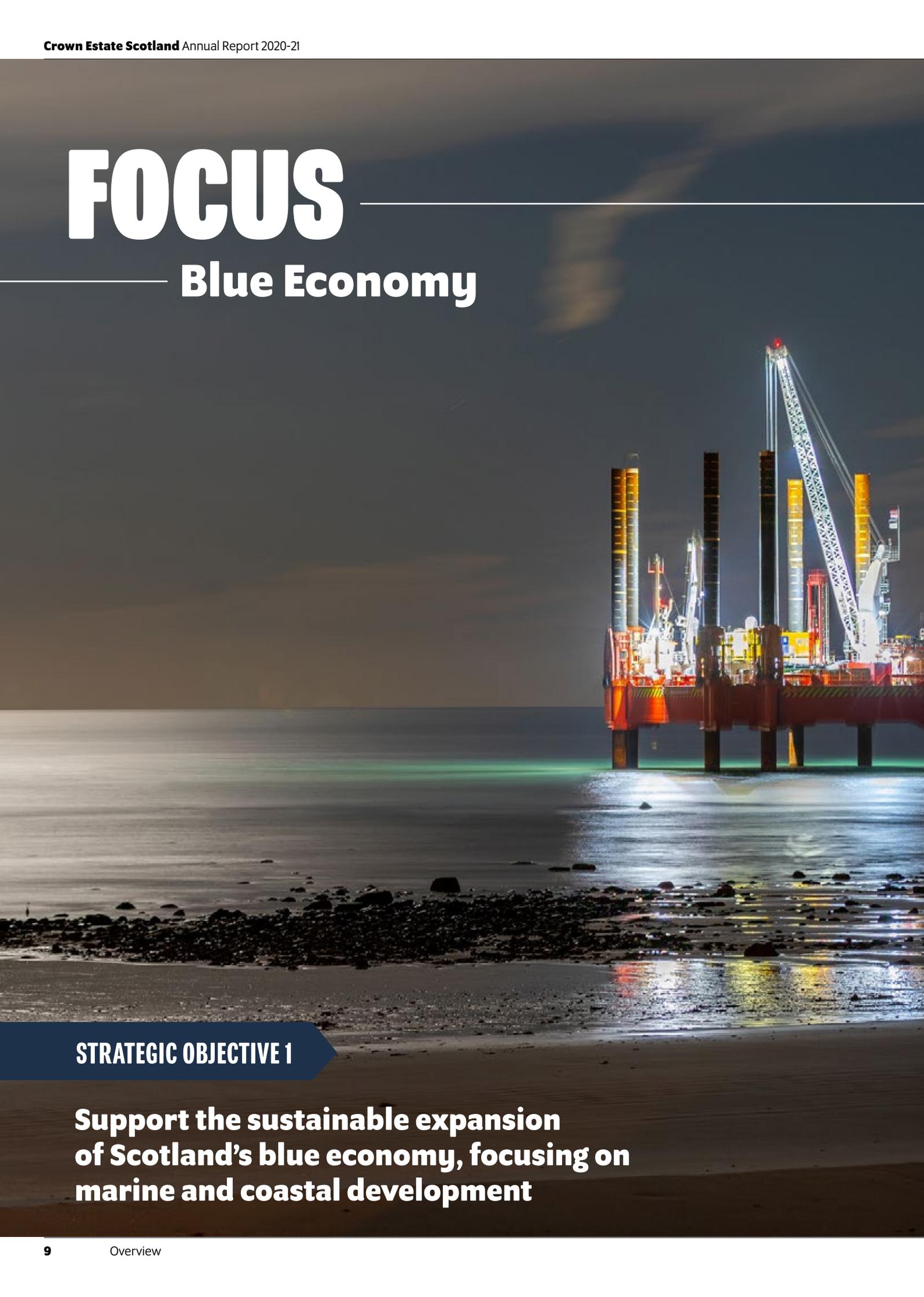
Our asset map



Credit: Esri, GEBCO, DeLorme, NaturalVue

FOCUS

Blue Economy



STRATEGIC OBJECTIVE 1

Support the sustainable expansion of Scotland's blue economy, focusing on marine and coastal development

Supporting the development of Scotland's Blue Economy is a key objective for Crown Estate Scotland – and in 2020-21 we launched ScotWind, the first offshore wind leasing round in Scottish waters for over a decade.

ScotWind offers a historic opportunity to harness Scotland's incredible natural resources and take a major stride towards a net zero future. Projects leased under the scheme could deliver more than enough green electricity to power every Scottish household, with the potential for over 6 million tonnes of CO₂ to be saved every year.

We've already seen a glimpse of what can be achieved, with five major offshore wind farms generating significant amounts of clean green electricity and over 3,000 jobs created.

Total investment in ScotWind projects could surpass £8bn, contributing significantly to Scotland's green recovery.

In preparing for ScotWind, Crown Estate Scotland worked with industry and government to develop measures to help Scottish offshore wind developments benefit from a vibrant supply chain.

ScotWind will support a just transition by stimulating job creation and placing the offshore wind sector at the heart of Scotland's emerging net zero economy. The first agreements for projects should be announced in 2022.

What we delivered in 2020-21

1. Worked with partners to help support the incorporation of a 'Blue Economy Action plan' in the Programme for Government.
2. Worked with others to maximise and enable offshore wind opportunities.
 - Ongoing liaison with Scottish Government in relation to development of new leasing programme to support decarbonisation of oil & gas production;
 - Published the Offshore Wind Scottish Ports Scoping Study and engaged with stakeholders in relation to achieving future requirements;
 - Committed £300k to the Scottish Offshore Wind Energy Council (SOWEC), most of which is now allocated to projects.
3. Published [a report](#) we commissioned exploring the value local energy systems can bring to communities.
4. Began a study on alternative markets for shellfish (rescoped in light of COVID-19) and conducted an economic feasibility study on the cultivation of seaweed, contributing to the sustainable development of both industries.
5. Progressed a leasing review for aquaculture to ensure seabed is being used to deliver best value, including financial return and sustainability. Updated terms will come into effect on 1 January 2023.

FOCUS

Buildings & Places

STRATEGIC OBJECTIVE 2

Invest in buildings and help create great places



In June 2020, we completed the purchase of 'ZeroFour', a 123-acre commercial development site near Montrose, Angus.

Historically, the site was the first operational RAF training airfield in the UK, with the ZeroFour name based on the original runway call sign 04 22.

Located within 35 miles of both Aberdeen and Dundee, the site has strong potential for supporting the development of key sectors such as offshore renewables.

The development of ZeroFour is geared towards supporting clean, green economic growth in Angus, providing a catalyst for business where required.

It has planning permission in principle for a mixed-use business park, and we plan to expand on this to create a hub for the blue economy, with the final portfolio set to include:

- industrial units, warehousing and start-up units;
- offices;
- training facilities;
- research and development space;
- supporting ancillary services;
- a drone port/training centre; and
- hotel, leisure & conference facilities.

This purchase spearheads total investment of circa £200m which will be required to bring the site into full operation, based on the uses above. The acquisition forms part of our long-term plans to invest in renewable energy and the expansion of the blue economy, in line with our target of committing £70m capital investment across Scotland throughout our 2020-23 Corporate Plan period.

What we delivered in 2020-21

1. Entered into a formal agreement with North Ayrshire Council to identify opportunities for regeneration and investment. Active engagement underway with two other councils to reach similar agreements.
2. Completed options appraisal for land at Ordiquish and initiated a master-planning exercise for Mosstodloch, both on the Fochabers Estate.

FOCUS

Sustainable Resource Use



Stuart and Chloe Graham,
tenants at Uppercleuch Farm

STRATEGIC OBJECTIVE 3

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

With over 200 farming tenancies, we work closely with our farming tenants to support the sustainable development of the sector.

Central to this effort is attracting new entrants into the tenant farming sector, as we promote ways of adapting to the changing face of farming in Scotland - and ensuring our selection criteria reward applications that show a readiness to adopt them.

Our Applegirth Estate tenants Stuart and Chloe Graham, who took over the 366-acre Uppercleuch Farm in late 2020, are a good example.

This is their first farm tenancy, and they secured the opportunity through forward-thinking plans such as opening the farm up for 'public experience days' to offer the public an insight into the workings of a successful livestock farm, and helping promote education both of sustainable food production and ways to encourage more people into farming.

Stuart Graham said: "We feel incredibly lucky to be given this opportunity as they don't come around very often... Not coming from a farming family as such, it's great that Crown Estate Scotland are giving new entrants and young farmers the chance to get a good foothold in the industry. We can't wait to get started".



Crown Estate Scotland are giving new entrants and young farmers the chance to get a good foothold in the industry

What we delivered in 2020-21

1. Re-let Uppercleuch Farm, on the Applegirth Estate, to new entrants Stuart and Chloe Graham.
2. Delivered Natural Capital event for delegates involved in farming and adjacent industries.
3. Carried out a programme of works to farm, residential and commercial buildings identified by a Conditions Survey.
4. Identified and developed a new woodland planting scheme with Tomintoul and Glenlivet Landscape Partnership.
5. Completed an energy efficiency review of our let residential portfolio, and prepared a schedule of recommendations.
6. Completed a feasibility study for a co-operative dairy project with tenants on the Applegirth estate.
7. Continued to support wild fisheries sector by funding new research and processing rebates for qualifying tenancies.
8. Funding provided for two marine litter projects.

FOCUS

Involving People

The Sustainable Communities Fund supported Tenant Farmer Andrew Jardine's environmental project to plant hedgerows and manage watercourses around his farm on the Applegirth Estate.

STRATEGIC OBJECTIVE 4

Involve people in how land, coastline and seabed are managed



In 2020 we launched the Sustainable Communities Fund, aimed at supporting local regeneration and sustainable development around Scotland's coast.

The fund is made up of two different programmes, with up to £750,000 of funds available over a three-year period.

- **The Community Capacity Grants Programme** is open to all communities within five miles of Scotland's coastline or one of Crown Estate Scotland's four rural estates and provides early stage financial support for community projects that will contribute to local regeneration and sustainable development.
- **The Environment Grants Programme**, available to all our tenants, will provide grants for projects which can deliver demonstrable environmental benefits within 18 months of award. Projects could include initiatives to increase local biodiversity and activities to reduce flood risk, pollution or carbon emissions.

Together these programmes reflect our drive to invest in and enable green recovery at a local level. We want to help communities get on with doing what they do best – responding to local needs in a way that provides lasting benefits, and we were pleased to announce our first batch of successful projects to receive funding in March 2021.

Successful projects from the first round of applications include:

- Community Capacity Grants
 - £40,000 for the development of a local energy vision and plan on Islay
 - £25,000 for feasibility work on local affordable housing in Moray
 - £12,000 for a study to support regeneration in Kirkcaldy town centre
- Environment grants
 - £20,000 to support the creation of a nature walk and wildlife conservation area near Moffat
 - £20,000 to manage watercourses and create hedgerows on our Applegirth Estate
 - £15,900 to control invasive, non-native species in Spey Bay

What we delivered in 2020-21

1. Concluded local management pilot agreements with Forth District Salmon Fisheries Board and Orkney Islands Council.
2. Completed projects emerging from the Tomintoul & Glenlivet Landscape Partnership (TGLP) and helped establish a successor project
3. Launched the Sustainable Communities Fund, which will distribute up to £750,000 of grants over 3 years to community projects which contribute to local regeneration, sustainable development and deliver demonstrable environmental benefits.
4. Supported the offshore wind Knotts to Watts schools competition plus the Clyde in the Classroom educational programme.
5. Developed a Communications and Engagement Strategy to ensure that we reached a diverse range of audiences.

FOCUS

Skills & Knowledge

Our new head office is located in modern premises at Quartermile, Edinburgh.

STRATEGIC OBJECTIVE 5

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

We want to reduce our climate impact – and support others to do so.

In our first [Climate Change Action Plan](#), published in 2021, we commit to reduce our greenhouse gas emissions and, importantly, set out how we will work with partners to reduce emissions across the Estate and Scotland as a whole.

The plan commits us to decarbonise our activities and reach zero direct emissions by 2040, ahead of the national target of 2045. We will also help offshore renewable projects progress, through our support and membership of SOWEC and promote sustainable practices in agriculture. Through our Sustainable Communities Fund, we are supporting communities to reduce harmful emissions and enhance natural capital.

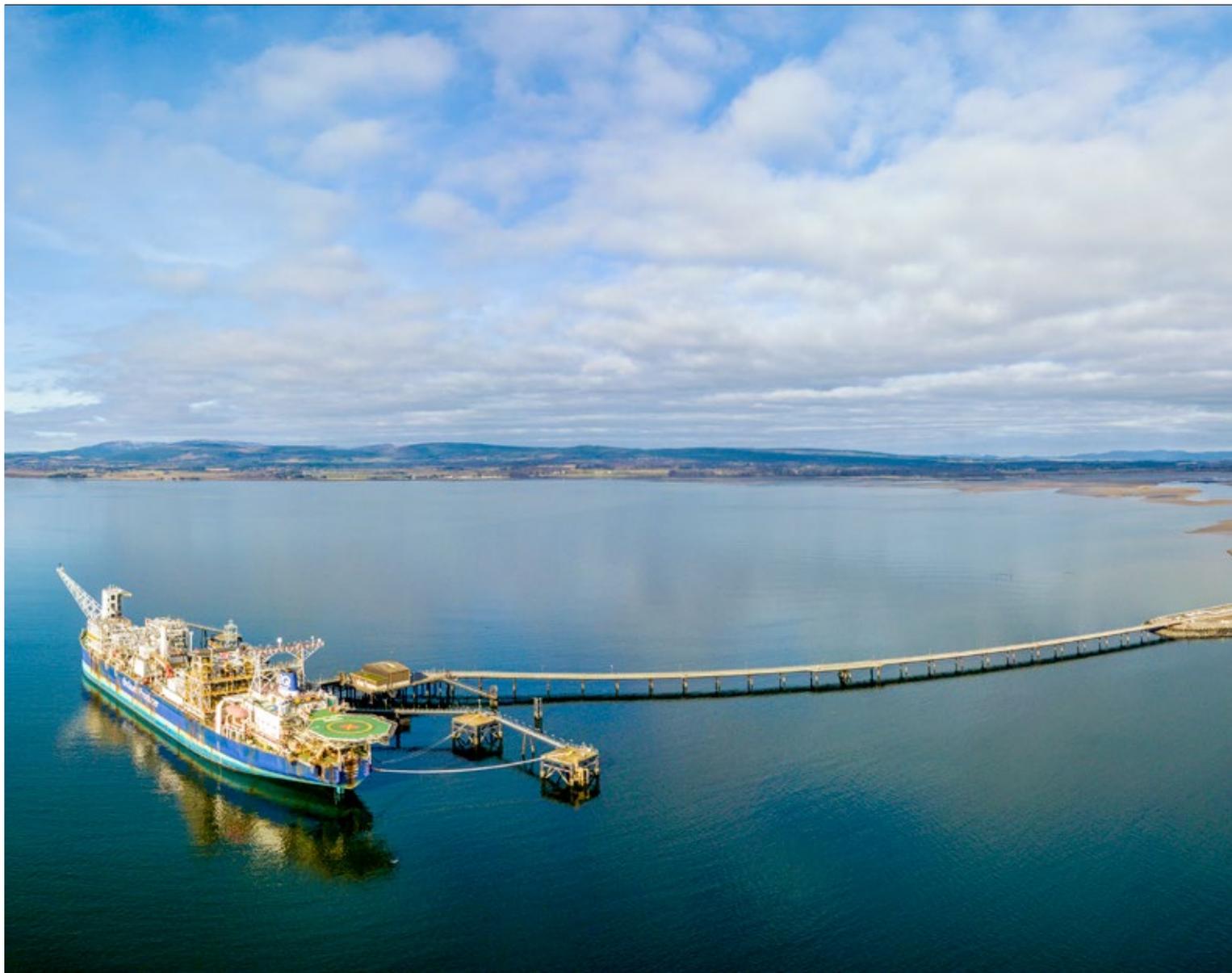
Already we have begun work on a green travel plan and green office plans for both our Glenlivet and Edinburgh offices to address wider issues.

We have also completed scoping work on a full carbon audit of the Glenlivet Estate and have reviewed the energy efficiency status in directly let residential properties with a view to complying with proposed Scottish Government requirements.

What we delivered in 2020-21

1. Completed a retendering process for rural and coastal managing agents, managing the transition to new contracts with robust performance monitoring in place.
2. Introduced a new Health and Safety (H&S) assurance framework, and embedded H&S internal audit schedules. Implemented a new H&S resumption and recording system.
3. Published our first Climate Change Action Plan.
4. Developed and launched policy and guidance for Less than Market Value proposals to help people and organisations deliver wider benefits through the Scottish Crown Estate.
5. Successfully relocated to a new office location, at Quatermile in Edinburgh.
6. Enhanced and strengthened our IT systems and cyber security.
7. Published 20 documents profiling the financial, environmental, economic and social benefits that we and the Estate help deliver for Scotland.
8. Finalised our 2020-23 People Strategy outlining how we will build capacity and capability, and evolve our working culture, to enhance the employee experience and deliver Best Value.

Some actions were not completed in 2020-21 due to COVID-19 restrictions. These include engagement work at Whitehill (2020-21 Business Plan action 19), finalising agreements with local authorities (actions 11 and 40), and a trial of a new marine litter project (action 39). Actions relating to promoting sustainable and diverse agricultural businesses (action 24), phase 2 of peatland restoration at Glenlivet (action 29) and a carbon audit of Glenlivet Estate (action 25) were partly delivered.



1.3 Forward-look for 2021-22 and beyond

We see exciting times ahead, with great potential for the Scottish Crown Estate to deliver even more for Scotland both in terms of social and environmental value, and through revenue profits passed to Scottish Government public spending.

Post-COVID-19, our focus will be supporting our tenants (for example, through research to support sector development) and helping realise new opportunities for communities and businesses, be that in food, energy, tourism, place-making, community empowerment, or connectivity.

The blue economy and energy transitions are key components of Scotland's future prosperity. We have a critical role to play in managing Scotland's seabed – totalling more than 462,000km², and forming around

85% of the country's total territory - as well as in supporting expansion and development of Scotland's ports and harbours infrastructure.

85%

Scotland's seabed forms 85% of the country's total territory

Progressing the first round of offshore wind leasing in Scotland's waters in a decade ScotWind is crucial. With

applications due in the summer of 2021, we expect to announce option agreements in 2022. Alongside this we are shaping future leasing opportunities, including offshore wind for oil and gas electrification and for innovation, test and demonstration.

We will be working with partners to establish a new carbon capture and storage industry in Scotland, to develop our international digital connectivity, to support the emerging market for hydrogen and to advance plans for world-class energy ports that



will help Scotland capture the jobs and economic benefits of a vibrant renewable energy supply chain.

£70m

Our target is to commit £70m capital to deliver our investment strategy

We will be delivering on our investment strategy, with the target of committing £70m capital over the course of our current corporate plan. As part of that, in 2021-22 we will complete development of the masterplan for the commercial development site, ZeroFour, which has great potential for supporting offshore renewables, other

industrial and commercial activity, retail and hospitality, and helping to kick-start a green economic recovery in the region. We will also be exploring options for specific existing assets to assess which opportunities will best optimise value.

We will launch investment challenge funds for boat-based tourism, sustainable use of natural resources and local partnerships.

We will work with rural tenants to promote land use that enhances natural capital. We will be offering tenants in pilot areas the opportunity to buy or surrender tenancies and participate in woodland creation partnerships to facilitate sustainable development and release resources for reinvestment.

Our review of aquaculture leasing terms and conditions is progressing. The review recommendations are designed to enhance sustainability, deliver value for the public purse, and ensure seabed is being used in a fair and competitive way. We will consult with government and industry followed by an engagement with other stakeholders in 2021-22 and implement changes in January 2023.

Investing in our people will also be important for us in the years ahead. As well as delivering a fresh approach to competencies and skills development, we will grow our team in offshore renewables, built development and regional engagement.

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 a good energy transition for net zero and green growth – it includes offshore wind, marine energy, grid, electrification of oil and gas, Carbon Capture and 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 OGA.
- Close integration is required with economic policy and enterprise support to win supply chain benefits for Scotland.

- Proactive development of ports and harbours infrastructure is needed to make Scotland an attractive place to invest.
- Investment in subsea cables is needed if Scotland is to become a leading digital nation.

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





Marine – Aquaculture

- The finfish sector continues to evolve rearing methods and technologies to mitigate pest and disease impacts.
- The shellfish and seaweed farming sectors offer significant potential for local green growth but have still to achieve a clear route for business expansion and market development.

- Public concerns over environmental sustainability and community support may affect the strong growth potential of the sector. 
- Consenting processes are considered to be complex and government is committed to simplification.
- New international trade arrangements have resulted in disruption to export markets.





Coastal

- There are major business opportunities for expansion of Scotland's ports and harbours to provide Operation and Maintenance (O&M), marshalling and manufacturing facilities to the offshore and marine renewables sectors, and to provide oil and gas decommissioning services.
- Boat-based tourism has faced a major impact from COVID-19. There is now the opportunity to rebuild both the cruise and the boat-based tourism sectors including through investment in local facilities and infrastructure.
- More and more coastal communities are keen to own and manage local mooring and marina assets and to lead local environmental and economic regeneration projects. Crown Estate Scotland Local Management Pilots, Sustainable Communities Fund and Investment Challenge funds are supporting this, and further opportunities for transfers and delegations are being considered by government.
- Management of aging coastal assets in many locations has become costly and loss-making. 

Buildings and 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 such as offshore wind. This is what we are doing at Montrose ZeroFour.
- There is good potential for built development on the existing Scottish Crown Estate to help achieve local development plans.
- Small-scale built development has a key role to play in sustaining remote rural communities.

- Recent uncertainties, including Brexit and COVID-19, have impacted on demand for some urban property and are accelerating changes to how our settlements work and what will be needed for the future.



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.
- Commencement of gold mining in Scotland is an exciting development and further exploration of deposits is underway.

- The cost of landlord investment in modernising farms is challenging.
- Woodland creation is a key policy towards net zero emission but there are barriers to tenant participation which we are working to overcome through woodland creation partnerships.



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. 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.

Table 1: 2020-23 KPIs and targets

KPI	March 2023 target	How performance is tracked	Progress at 31 March 2021
Gigawatts (GW) of offshore renewables in seabed agreements.	No specific target.	Quarterly reporting to Board.	8.79GW
Production capacity in new finfish agreements.	No specific target.	Quarterly reporting to Board.	0
Total capital committed. (including specifically Place-Based projects / activities and Blue Economy projects)	£70m	Quarterly reporting to Board.	£6.3m
No. of projects promoting sustainable natural resource use.	No specific target.	Approved Investor or Enabler projects promoting sustainable natural resource use.	14
No. of projects encouraging people to be more involved in how land, coast and seabed are managed.	No specific target.	Quarterly reporting to Board.	11
Net revenue.	Total of £24m net revenue returned to Scottish Government.	Quarterly reporting to Board.	£1.5m returned to Scottish Government.
Capital valuation.	Valuation increased on March 2020.	Annual independent valuation.	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.	2020 staff survey shows satisfaction with Crown Estate Scotland as an employer at 63%. Employee engagement score of 71% (recent comparative Scottish Government data not yet available).
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.	Net favourability among MSPs 2020 45% (cf. 2019 49%). Local authority CEOs' favourability 80% in 2020 (cf. 2019 43%). Local Authority Heads of Economic Development favourability 63% (cf. 62% 2019). ⁵ 2019-20 rural tenants survey shows mean satisfaction rating of 6.8 out of 10 (cf. 2017-18 6.3). ⁶ 2020-21 energy and infrastructure survey shows mean satisfaction rating of 7 out of 10 (cf. 2018-19 6.9). ⁷

⁵ 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.

⁶ Research Resource surveyed agricultural and residential tenants in January and February 2020. 103 respondents replied (47% response rate).

⁷ 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 2021, 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 – has 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 ready to work with government and others to support new managers.

Transfers and / or delegations may impact the delivery of our 2020-23 Corporate Plan and that of future corporate plans. The level of demand for transfers and delegations is not yet clear although feedback from stakeholders indicates appetite for exploring alternative ways of increasing local involvement in the Scottish Crown Estate.

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 (see Section 2.4.4).

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.

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.

ScotWind, launched in 2020-21, opens 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.

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

This review resulted in increased fees and the introduction of a Disposal Premium if an applicant sells part or all of its interest in a project within three years of signing the option agreement. These changes position Scotland as a competitive investment destination while ensuring Scotland benefits from the seabed as a key national resource.

Overall, rural land and property value has held well as have valuation figures for forestry and minerals.

The fall in value of the George St, Edinburgh, property reflects wider conditions. The Board will consider options for that site in 2021-22.

Fluctuations in commodities pricing and uncertainty around Brexit and COVID-19 mean our team will continue close working with tenants in shellfish, agriculture and tourism.

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 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 Brexit and post-COVID-19 arrangements and sector indicators including finfish, retail and tourism. 2021-22 budget accommodates sector impacts. Facilitate provision of support for farm business planning / development of tenants' integrated land management plans (ILMP's). Close liaison / communication with shellfish and tourism tenants.
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.	Independent review of IT infrastructure (completed 2019-20) and recommendations implemented. New IT and information policies. Up-to-date emergency response procedures in place. Additional cyber security measures being implemented in 2021-22.

2.2 Overview of financial performance

Table 3: Revenue and valuation 2020-21 and 2019-20

	2020-21 £m	2019-20 £m
Total gross revenue	21.6	22.0
Total net revenue	11.5	12.0
Total property valuation	455.6	426.2

We have generated £11.5m for the public purse through 2020-21 activities and are proud to make this contribution to Scotland's public spending. Over the four years to March 2021, we have generated £43.9m for Scottish public spending.

Most of these funds will be redistributed to coastal local authorities who have to date been allocated a total of £16.9m (from our first two years of operating) to fund projects benefitting coastal communities.⁸

In 2020-21 we carried out a preliminary analysis of how different types of assets perform financially. Combined with work on wider value (see Section 2.4.4), this will help inform future strategy.

We also developed 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.

Further work will be done in 2021-22 and revised asset classes will be reflected in future annual reports and accounts.

Gross revenue

Table 5 provides gross revenue figures, with previous year's for comparison and a summary of the factors underlying any notable changes.

Indirect costs

A slight increase in indirect costs relates to staffing costs.

Our capacity is also expanding in built development and regional engagement across Scotland.

This development of our team will be reflected in indirect costs and in capital expenditure in future annual reports.

Table 4: Summary of revenue account

	2020-21 £m	2019-20 £m
Gross revenue	21.6	22.0
Direct costs	(4.3)	(4.8)
Indirect costs	(3.6)	(3.3)
Transfers to capital account	(2.1)	(1.8)
Investment income	0.0	0.1
Depreciation of tangible fixed assets	(0.1)	(0.2)
Net revenue	11.5	12.0

Property valuation

Revenue (see Table 5) and value (see Table 6) 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.

Capital

As at March 2021, we have £35.6m capital funds (after permitted transfers from revenue) demonstrating the ongoing success of our 'one team' effort by staff, managing agents and other partners and suppliers.⁹

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 CCS and offshore renewables, alongside furthering development opportunities across our portfolio.

⁸ See <https://www.gov.scot/news/support-for-coastal-communities-1>

⁹ 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 Scottish Government.

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

We are not permitted commercial borrowing and must therefore raise capital from property transactions to

meet our statutory obligations in undertaking works (e.g. providing and upgrading fixed equipment under our 200+ agricultural tenancies) and creating new shared value (e.g. by supporting development of the net zero economy). This reinvestment generates income and grows value in the future, supporting Scottish economic growth.

Table 5: Gross revenue 2020-21 (2019-20) £m

	Gross revenue (2019-20) £m	Notes on change since 31 March 2020
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	3.5 (4.0)	Year on year variances include a decrease in forestry harvesting income and other decreases in turnover-related income largely due to COVID-19.
Coastal	3.7 (3.9)	Revenue generated by the activities managed as part of our Coastal portfolio (includes ports & harbours, moorings, pontoons, dredging and outfalls). Slight decrease in turnover-related income due to COVID-19.
Marine (Energy & Infrastructure)	8.9 (7.7)	Offshore wind revenue is linked to energy output. 2020-21 saw an increase in offshore production especially in offshore wind, which led to increased revenue. There were also a number of new infrastructure options signed.
Marine (Aquaculture)	4.8 (5.5)	Income down due to decrease in finfish production.
Urban	0.7 (0.9)	Our urban property consists of retail and office spaces at 39-40 George St, Edinburgh. It generates income with relatively low management costs.
Total	21.6 (22.0)	

Table 6: 2020-21 property valuation

	31 March 2021 valuation £m (31 March 2020) £m	Notes on change since 31 March 2020
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	129.1 (121.0)	Forestry has increased in value, reflecting demand for both the underlying land and the timber crop. Valuation reflects sale of Spey river fishings. Demand for rural land / properties remain strong and the rural economy proved very resilient to COVID-19. Value of minerals portfolio including natural-occurring gold and silver increased, largely driven by the Cononish Gold Mine entering production.
Coastal	38.4 (35.3)	Increase in capital value driven by small number of large agreements. These include uplifts in rents from Master Agreements.
Marine (Energy & Infrastructure)	253.1 (230.4)	Offshore wind is the most valuable part of the Scottish Crown Estate. The increase in value of offshore wind (£23.3m on 2020) has been driven by individual projects making significant progress. The upward trend has been evident since 2017.
Marine (Aquaculture)	26.4 (26.5)	Stable valuation reflects stable production levels.
Urban	8.6 (13.0)	The reduction is an acceleration of previous trends, reflecting vacancy levels (i.e. unlet space within the building), downward pressure on rents and impacts of COVID-19. 39-41 George Street is currently the subject of an options review.
Total	455.6 (426.2)	

2.3 Asset performance

The Scottish Crown Estate is made up of 21 asset classes. Over the last two years we have identified and analysed the wider value currently generated by Crown Estate Scotland’s management of those asset classes. We have also identified where there is potential to deliver more value.

This analysis based on previous years’ financial information is published as a set of ‘asset profiles’ at www.crownestatescotland.com/our-projects/value-project

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 2020

£0.01m

No of agreements

1



[FIND OUT MORE >](#)

Coastal Cables and Pipelines

Value at 31 Mar 2020

£3.6m

No of agreements

194



[FIND OUT MORE >](#)

Commercial Property

Value at 31 Mar 2020

£14m

No of agreements

24



[FIND OUT MORE >](#)

Farming

Value at 31 Mar 2020

£69.8m

No of agreements

233



[FIND OUT MORE >](#)

Finfish farming

Value at 31 Mar 2020

£25.7m

No of agreements

372



[FIND OUT MORE >](#)

Forestry

Value at 31 Mar 2020

£20.5m

No of agreements

7



[FIND OUT MORE >](#)

Offshore Wind



Value at 31 Mar 2020

£205.3m

No of agreements

32

[FIND OUT MORE >](#)

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 2021, there are 17 offshore wind projects, six of which are fully operational with 159 turbines and total installed capacity of 896 MW

The operating projects have annual energy production of around 3,400GWh. The three sites currently under construction will add a further 160 turbines with total installed capacity 1,447MW.

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

Marinas and Moorings

Value at 31 Mar 2020

£3m

No of agreements

860

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Marine Cables and Pipelines

Value at 31 Mar 2020

£24.9m

No of agreements

26

[FIND OUT MORE >](#)



Ports and harbours



Value at 31 Mar 2020

£12.3m

No of agreements

78

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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 2020

£2.3m

No of agreements

33

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Other Rural

Value at 31 Mar 2020

£2.7m

No of agreements

138

[FIND OUT MORE >](#)



Other Seabed

Value at 31 Mar 2020

£16.4m

No of agreements

771



[FIND OUT MORE >](#)

Development property

Value at 31 Mar 2020

£0.2m

No of agreements

11



[FIND OUT MORE >](#)

Residential

Value at 31 Mar 2020

£10.1m

No of agreements

73



[FIND OUT MORE >](#)

Salmon Fishing Rights

Value at 31 Mar 2020

£4.9m

No of agreements

144



[FIND OUT MORE >](#)

Seaweed

Value at 31 Mar 2020

£0.1m

No of agreements

12



[FIND OUT MORE >](#)

Shellfish Farming

Value at 31 Mar 2020

£0.8m

No of agreements

323



[FIND OUT MORE >](#)

Sporting

Value at 31 Mar 2020

£9.3m

No of agreements

37



[FIND OUT MORE >](#)

Wave and Tidal

Value at 31 Mar 2020

£0.23m

No of agreements

13



[FIND OUT MORE >](#)

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 2021-22 is budgeted to be £26.1m, an increase from £21.6m for 2020-21. This is largely due to an increase in offshore wind turnover as production starts at sites. This figure does not include uncertain option fees for Energy & Infrastructure.

Income is anticipated to increase further over the coming years from revenue streams that are anticipated to be minimally impacted by either COVID-19 or Brexit.

Our work during 2021-22 is anticipated to generate an estimated £12m for the Scottish Consolidated Fund for public spending. This figure could be greater depending on option fee income in the year.

To ensure we deliver value for money, we keep direct and indirect costs under review.

For 2021-22, Crown Estate Scotland has allocated up to £20.8m for capital investment covering acquisitions as well as other expenditure. Receipts are expected to total £10.2m, giving a net capital investment of £10.6m.

This budget reflects current market intelligence. There are uncertainties relating to the impact of COVID-19 and Brexit on the property market, tenants, and potential investors.

As our remit grows and new requirements relating to the Act come into force, our costs – including staff costs – have increased so that we can deliver more.

Having retendered our coastal and rural managing agents' contracts in 2020-21 and developed a workforce plan reflecting our 2020-23 Corporate Plan, we will continue to carefully plan expenditure and other resource use, keeping direct and indirect costs under review.

We were required to move our Edinburgh office in 2020-21 due to our lease ending. Given the favourable terms we had at our previous location, this move increases our annual indirect costs (as well as incurring a one-off project cost in 2020-21).

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 2021, Crown Estate Scotland had 52 FTE staff (more detail is in Section 3.4), down from 53 in 2020. 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:

- Implementing a new approach to performance management to strengthen the link between individual performance, team goals and organisational success;
- Moving employee communications and engagement online with

a planned programme of communications, briefings and team and all-staff meetings;

- Flexibility for those with caring responsibilities, particularly during lockdowns when school and other care providers were not open;
- Training for all staff covering H&S, bullying & harassment, equality and diversity, resilience and emotional wellbeing, giving and receiving feedback, IT, and performance management;
- Launch of Wellbeing Matters delivering a programme of support for staff covering financial, mental, social and physical health and wellbeing;

- Starting to implement our new People Strategy to align with the 2020-23 Corporate Plan;
- A workforce planning exercise to build capacity in offshore renewables, built development and regional engagement; and
- Maintaining our Living Wage employer accreditation.

As well as workforce planning and subsequent recruitment, two new Board Members were appointed by Scottish Ministers in early 2021-22. They will bring further expertise in property investment and offshore renewables to the organisation.

Two shadow Board members contributed to our work in the reporting year, and in 2021-22 we expect to have a Board ‘intern’ join. They will have the opportunity to learn about land and property in Scotland, and about the work of the Board, and will inform the setting up of Crown Estate Scotland’s Children & Young People’s Forum.

Bringing voices of different age groups into the organisation is part of our wider work in diversity and inclusion. In 2021-22 we will develop a diversity and inclusion plan covering corporate activity and how the assets in our care are managed.

In 2019-20, a staff working group developed a new approach to performance management with a focus on quality conversations, continual feedback and staff owning and driving their professional development. This new approach was piloted in 2020-21 and will be evaluated in 2021-22 as part of our commitment to continual improvement. The Board’s People Committee, a short-life advisory committee, continues to support the Executive Team on a range of activity such as culture, workforce planning, strategy, and diversity & inclusion.

2.4.2 Health & Safety

Excellent Health & Safety (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.

Our focus for this year was on meeting COVID-19 restrictions both in terms of helping our staff work effectively from home without exposing them to the virus 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 a trade union representation is invited to join those meetings. H&S is incorporated is covered in detail in our induction process, and is a fixed item on all Board, senior management, staff and team meeting agendas.

Throughout 2020-21 we completed a range of specific activities to further embed a positive H&S culture throughout the business. These activities include:

- Roll out of H&S e-learning courses and mandatory H&S Lunch and Learn sessions held to introduce policy revisions to all staff;
- Developing a new H&S assurance reporting framework, to be rolled out in 2021-22;
- Extra DSE assessments in light of COVID-19 working from home requirements;

- COVID-19 risk assessments for emergency estate maintenance work and access to and clearing of old Edinburgh office, including close liaison with our recognised trade union;
- H&S manual for new Edinburgh office;
- An external audit on health and safety administration was conducted that provided useful pointers for further strengthening our approach; 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 2020-21 compared to 2019-20. In 2020-21 there were 2 near misses / incidents and 3 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 2021.

Table 7: Staff accidents & near misses in 2020-21 compared to 2019-20

	2020-21	2019-20
Near misses	2	17
Accidents	3	11

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

	2020-21	2019-20
Requests for information received	39	41
Requests for information responded to	38	41
Percentage of requests responded to within 20 working days (or within 40 days for a complex EIR request)	95%	98%
Average response time (working days)	14.6	13.8
Number of reviews carried out	4	1
Number of cases appealed to the Scottish Information Commissioner	1	0
Decisions issued by the Scottish Information Commissioner	0	0

*Information subject to change given statutory limits for reviews and appeals are ongoing into 2021-22. Figures as of 31 March 2021.

There were two late responses (compared to one in 2019-20). These were due to delays in the information request being passed internally to the responsible team. We will continue to promote awareness through training to staff to try and minimise late responses (see section “Training” below).

Appeals

We received four requests for a review of Crown Estate Scotland’s handling of their request. One review was as a result of a failure to respond to an information request which had not been passed on internally. The other three reviews upheld our original decisions.

Cases appealed to the Scottish Information Commissioner and Decision Notices Issued

One appeal was made to the Scottish Information Commissioner during the period of this report but was withdrawn before the appeal was considered by the Commissioner.

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 is scheduled for all staff and will be broadened to all managing agents. Training on data protection has been delivered to staff via an online training course.

Complaints

In 2020-21, we received nine complaints, the same number as in 2019-20. Five of these were dealt with as stage two complaints due either to their complexity or because we were required to obtain information from third parties in order to respond.

2.4.4 Understanding value

The Act requires us to manage the assets in a way that is likely to contribute to the promotion of 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.

In 2020-21, we developed and published our policy and guidance for assessing potential Less than Market Value (LMV) transactions, to be applied on certain circumstances where there is evidence that additional benefits will be generated.

No formal applications for LMV were submitted to Crown Estate Scotland in 2020-21 but we anticipate that to change in 2021-22 and will monitor impact on property value and income.

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 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 developed a [Crown Estate Scotland Climate Change Action Plan](#) in 2020-21 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 report on actions taken to meet our biodiversity duty are reported in detail in our first [Biodiversity Duty Report](#).

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.

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, the outcomes of which helped shape the final 2020-23 Corporate Plan, included:

- An Island Communities Impact Assessment;
- A Children's rights and Well-being (screening); and
- An Equality Impact Assessment.

These assessments and screening exercises can be found [here](#).

Office operations

Recycling and waste diverted to energy from waste treatment or landfill figures for 2020-21 are not included below as the offices were not formally open due to COVID-19.

In line with our 2021-23 Climate Change Action Plan, we will develop a green office plan for our new premises in

Edinburgh. Across our two offices we will seek to reduce consumption of resources such as electricity, office supplies, and water.

Where possible, we source goods and services from organisations who deliver wider value.

As offices re-open in line with COVID-19 guidelines, we envisage 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**
28 September 2021

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

Board Members as at 31 March 2021

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
Michael Foxley	1 May 2017	30 April 2023	6 Years	Second
Liz Leonard	1 May 2019	30 April 2022	3 Years	First
Jean Lindsay	1 May 2019	30 April 2022	3 Years	First
Andrew Macdonald	1 May 2017	30 April 2022	5 Years	Second
Robert Mackenzie	1 May 2017	30 April 2024	7 years	Second
Richard Morris	1 May 2017	30 April 2021	4 Years	Second
Alister Steele MBE	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.

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 from the Board on 30 April 2021. Following the conclusion of an open recruitment process, the Minister for Environment, Biodiversity and Land Reform has appointed Ann Allen and Euan McVicar, who took office on 28 June 2021 for an initial term of 3 years. In advance of the recruitment 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](#).

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 2020 to 31 March 2021, the Board met six times. Due to COVID-19 restrictions these meetings were held using video-

conferencing software and the Board were unable to travel to meet with tenants and stakeholders, as they have done in previous years. The agendas, minutes and papers are available on our [website](#) in the Structure & Governance section.

Board members are required 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 on our [website](#) in the Structure & Governance section.

An updated 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 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 by the Scottish Ministers, including those set out in the Strategic Management Plan for the Scottish Crown Estate and in the Crown Estate Scotland 2020-23 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, risk

management and included high level review and scrutiny of H&S issues. Crown Estate Scotland maintains an active and ongoing dialogue at all levels within 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

the 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 2020-21 it was chaired by the Director of Corporate Operations and its members included Board members and officers.

As an organisation, Crown Estate Scotland is committed to equality and

diversity. In January 2021 most Board Members attended a workshop on equality and diversity and an action plan has been developed following that. During 2020-21, the Board offered an opportunity for an individual to shadow the work of the Board and its Committees to support the diversity of applicants to public sector boards.

In January 2021, Crown Estate Scotland participated in workshops with Changing the Chemistry and CEMVO (a charity working to enhance ethnic minority diversity) as part of the recruitment process for new Members. As required by the Gender Representation on Public Boards (Scotland) Act 2018, Crown Estate Scotland published a report in 2021 on the steps taken to meet the objective of that Act. This report can be found [here](#).

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. An Accounts Direction was issued by the Scottish Ministers on 12 March 2021. 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 the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- Make judgments 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 Reports 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.

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.

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;
- 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;

- 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;
- 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 and Richard Morris were the other non-executive members who served on ARC during the financial year. ARC reviews the financial reports of Crown Estate Scotland and consider the results of the Auditor's opinion and review of the financial controls. ARC approves an annual internal audit plan.

It meets with management and with internal and external auditors 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 Government's Public Bodies Unit.

2020-21 Board and Audit & Risk Committee attendance (not subject to audit opinion)

Board Member	Board		Audit & Risk Committee	
	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Amanda Bryan (Chair)	6	6	-	-
Dr Michael Foxley	6	6	-	-
Liz Leonard	6	5	-	-
Jean Lindsay	6	6	4	4
Andrew MacDonald	6	6	-	-
Robert Mackenzie	6	6	4	4
Richard Morris	6	4	4	4
Alister Steele MBE	6	6	-	-

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

3.3.4 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 Scottish Government or as noted in this statement.

We launched a new Corporate Plan for the period 2020-23 and we have established new procedures to manage requests for Less than Market Value (LMV) transactions in line with the provisions of the Scottish Crown Estate Act 2019 (see Section 2 for more detail). We responded to the COVID-19 situation with a move to home working and adjustments for staff with caring responsibilities. We established a rent policy to ensure a consistent response to tenants affected by the COVID-19 restrictions.

We adopted contracting authority status on 1 April 2020 and appointed a procurement manager to support our procurement activity. We have an interim procurement strategy, have reviewed our contracts and are utilising the government frameworks available to us to ensure we achieve value for money. Two of our principal service

contracts, managing agent and legal services, have been re-procured during the year. We have introduced new procedures to actively manage our contracts and the expenditure incurred in connection with them.

3.3.5 Risk and internal control framework

As at 31 March 2021, 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 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 potential impact of EU exit and subsequent trade arrangements on the sectors with which we are involved and on competition regulations;
- Undertaking a review of the option structure of ScotWind;
- Strengthening cyber resilience and achieving cyber essentials plus certification;
- Undertaking a workforce planning process to strengthen capacity in critical areas to enable effective delivery of the Corporate Plan;
- 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.

Nine audits were undertaken during the financial year, three of which were advisory. These covered risk management; aspects of Board governance; the operation of payroll; H&S policy implementation; contract retendering; and cyber security. The internal audit opinion presented by RSM Risk Assurance Services LLP to ARC on 8 June 2021 gives the following 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 2021. The appointment has been extended by the Auditor General for Scotland for a further period of one year.

3.3.9 Personal Data Related Incidents

Crown Estate Scotland had no significant or reportable data-related incidents during 2020-21.

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
28 September 2021

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 Scottish Government Pay Policy.

In 2020-21, due to COVID-19, Scottish Government agreed an interim pay award which we implemented in May 2020 backdated to April 2020. No further pay claim from PCS was received by Crown Estate Scotland.

Service Contracts

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

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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Amanda Bryan (Non-executive member, Chair of the Board)	15-20	20-25	7,300	-	25-30	15-20
Dr Michael Foxley (Non-executive member)	5-10	5-10	1,500	-	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
Richard Morris (Non-executive member)*	5-10	5-10	1,200	-	5-10	5-10
Hugh Raven (Non-executive member)**	-	0-5	600	-	0-5	0-5
Alister Steele MBE (Non-executive member, Chair of the Investment Committee)	5-10	5-10	100	-	5-10	5-10
Jean Lindsay (Non-executive member)***	5-10	0-5	400	-	5-10	0-5
Liz Leonard (Non-executive member)***	5-10	0-5	200	-	5-10	0-5

* stepped down on 30 April 2021 ** stepped down on 31 January 2020 *** appointed on 1 May 2019

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 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.

Crown Estate Scotland has determined that to increase transparency and accountability the entitlements of the Executive Team will be included in this disclosure from the 2020/21 period. During 2019/20 we finalised our pay and grading review. For some Senior Management this resulted in a reduction in remuneration in 2020/21, which is presented below.

	Salary £'000		Pension Benefits* £'000		Total £'000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Simon Hodge – Chief Executive	110-115	105-110	114	78	220-225	185-190
Esther Black – Director of Operations	65-70 (85-90 FTE)	70-75 (85-90 FTE)	33	n/a**	100-105	n/a**
Colin Palmer – Director of Marine	90-95	85-90	35	n/a**	125-130	n/a**
Alastair Milloy – Director of Finance and Business Services***	85-90	10-15	33	n/a**	115-120	n/a**
Andrew Wells – Director of Property	85-90	95-100	46	n/a**	130-135	n/a**

*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.

**Due to the decision to include the Executive Team for the first time in this year's report the prior year pension information was not available at the time of publishing. Information for all years presented will be included from 2021/22.

***From 03 February 2020.

	Accrued pension at pension age as at 31.03.21 £'000 2020/21	Accrued pension at pension age as at 31.03.20 £'000 2019/20	CETV at 31.03.21 £'000 2020/21	CETV at 31.03.20 £'000 2019/20	Real increase in CETV £'000 2020/21
Simon Hodge	55-60 plus a lump sum of 145-150	5-7.5 plus a lump sum of 75-10	1,296	1,145	99
Esther Black	5-10	0-2.5	74	49	12
Colin Palmer	0-5	0-2.5	46	25	13
Alastair Milloy	0-5	0-2.5	29	4	19
Andrew Wells	30-35 plus a lump sum of 95-100	0-2.5 plus a lump sum of 5-7.5	778	704	47

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 HM Revenue and Customs 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

There were no exit packages agreed or paid during the financial year.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

Civil Service Pensions

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 employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General.

For 2020-21, employer's contributions of £0.7m (2019-20: £0.6m) were paid to the PCSPS and other pension providers. These contributions were payable at one of four rates ranging from 26.6% to 30.3% (2019-20: 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.

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The last valuation was as at 31 March 2016, published 26 February 2019, and details can be found in the Government Actuary's Department actuarial valuation of the Civil Service Pension Schemes as at 31 March 2016 (www.civilservicepensionscheme.org.uk/about-us/scheme-valuations). The next valuation of the scheme will be as at 31 March 2020.

Fair Pay Disclosure (subject to audit opinion)

	2020-21	2019-20
Band of highest paid employee's total remuneration £'000	110-115	105-110
Remuneration range £'000	19-115	18-110
Median total remuneration of all staff £	50,483	46,634
Ratio	2.2	2.3

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

Staff Report

As at 31 March 2021 there were 54 staff in post and eight 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 2020-21		Head Count 2019-20		Permanent Staff FTE 2020-21		Permanent Staff FTE 2019-20	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	5	3	5	3	n/a	n/a	n/a	n/a
Senior Management	4	1	4	1	4	1	4	1
Other Staff	25	24	23	28	24	23	22	26

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 2021 (1 at 31 March 2020).

Staff turnover was 18.2% in 2020-21, of which half related to the ending of fixed term, or agency, contracts. This is compared to 16.3% in 2019, of which 40% 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 30 March 2021 was one. The employees spent 1-50% of their working hours on facility time, which equated to a cost of £1,149.26 or 0.03% of the total wage bill of £3.9m. 100% of the time spent on trade union activities was paid time.

Staff Costs (*subject to audit opinion*)

	2020-21 £m	2019-20 £m
Wages and salaries	2.8	2.4
Social security costs	0.4	0.3
Other pension costs	0.7	0.6
Total costs	3.9	3.3

Sickness Absence Data

Our level of sickness absence for 2020-21 was 0.9 average working days lost per employee (AWDL) (cf. 2019-20 5.2). Adjusting for incidences of long-term sickness the average number of days lost per employee was 0.9 days (cf. 2019-20 2.3 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 2020-21 to enhance our approach to equality and diversity included:

- Online training and workshops for all staff;
- Embedding our new behavioural competency framework which emphasises inclusivity and the need to value difference;
- An equalities workshop for Board members;
- Development of our 2020-23 communications and engagement strategy which embeds inclusivity as one of three key principles underpinning all activity under the strategy;
- New brand guidelines embedding diversity in our external communications;
- Roll out of a new performance management framework informed by an equalities impact assessment;
- Introduction of diversity and inclusion in our annual staff survey, providing a baseline against which we can measure future performance;
- Staff discussions and an independent diversity and inclusion ‘health check’ by Glasgow Caledonian University. These will feed into our Diversity & Inclusion Plan.

Our 2020-23 People Strategy identifies priority actions to further build our work in this area and our 2021-22 Business Plan includes development of a Diversity & Inclusion Plan.

The equalities impact assessment for our 2020-23 Corporate Plan can be found at 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 2021 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 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 of opinion

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

Risks of material misstatement

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), 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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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 to detect material misstatements in the financial statements in respect of irregularities, 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.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory 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 statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 statutory 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 statutory 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: 28 September 2021

4.2 Statements of comprehensive income

For the year ended 31 March 2021

Revenue account

	Note	2020/21 £m	2019/20 £m
Revenue	6	21.6	22.0
Costs	7	(7.9)	(8.1)
Operating profit		13.7	13.9
Investment income	10	0.0	0.1
Net operating profit before depreciation, capital transfer agreements and Statutory transfers		13.7	14.0
Depreciation of tangible fixed assets	19	(0.1)	(0.2)
Net operating profit before capital transfer agreements and Statutory transfers		13.6	13.8
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 and by capital transfer agreements	11	(1.9)	(1.5)
Statutory transfers	14	(0.2)	(0.3)
Net consolidated revenue account profit		11.5	12.0
Statement of comprehensive income of the revenue account			
Net revenue account profit – distributable to the Scottish Government Consolidated Fund		11.5	12.0
Total comprehensive revenue account profit		11.5	12.0

Capital account

	Note	2020/21 £m	2019/20 £m
Revenue	6	0.1	0.1
Charge from revenue for salary costs	9	(1.1)	(0.9)
Net revaluation gains in property and investments (including profit/(loss) on disposal)	12	26.3	39.5
Capital profit before capital transfer agreements and Statutory transfers		25.3	38.7
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 and by capital transfer agreements	11	1.9	1.5
Statutory transfers	14	0.2	0.3
Net capital account profit		27.4	40.5
Statement of comprehensive income of the capital account			
Net capital account profit		27.4	40.5
Total comprehensive capital account profit		27.4	40.5

4.3 Statement of financial position

As at 31 March 2021

	Note	2020/21 £m	2019/20 £m
Assets			
Non-current assets			
Investment properties	16	455.5	426.1
Owner occupied property	17	0.1	0.1
Plant and equipment	19	0.8	0.5
Receivables due after one year	20	6.2	6.9
Total non-current assets		462.6	433.6
Current Assets			
Trade and other receivables	21	13.1	9.6
Cash and cash equivalents	22	39.9	41.8
Total current assets		53.0	51.4
Total assets		515.6	485.0
Liabilities			
Current Liabilities			
Payables – amounts falling due within one year	23	15.0	12.3
Total current liabilities		15.0	12.3
Payables – amounts falling due after more than one year	23	6.3	5.8
Total liabilities		21.3	18.1
Net assets		494.3	466.9
Capital and reserves			
Capital reserve		494.3	466.9
Revaluation reserve		-	-
Total capital and reserves		494.3	466.9

The Notes to the Accounts, numbered 1 to 29, form an integral part of these Accounts.



Simon Hodge

Chief Executive and Accountable Officer
Crown Estate Scotland
28 September 2021

4.4 Cash Flow Statement

For the year ended 31 March 2021

	Note	2020/21 £m	2019/20 £m
Cash generated from operating activities			
Net operating profit – consolidated revenue account		13.6	13.8
(Increase)/decrease in receivables		(3.5)	(1.9)
Increase/(decrease) in payables		1.6	0.5
(Increase)/decrease in provisions		0.0	0.1
Depreciation and impairment		0.1	0.2
Net cash flow from operating activities		11.8	12.7
Cash flows from investing activities			
Capital expenditure on investment properties		(3.7)	(3.6)
Proceeds from disposal of investment properties		4.0	1.4
Purchase of investment properties		(3.8)	0.0
Purchase of plant and equipment		(0.4)	(0.2)
Other capital receipts		0.2	1.4
Net cash flow from investing activities		(3.7)	(1.0)
Cash flows from financing activities			
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents before Scottish Government Consolidated Fund payment			
		8.1	11.7
Scottish Government Consolidated Fund payment		(10.0)	(10.0)
Increase in cash in the year after Scottish Government Consolidated Fund payment			
		(1.9)	1.7
Cash and cash equivalents at start of the year		41.8	40.1
Cash and cash equivalents at end of the year	22	39.9	41.8

4.5 Statement of changes in capital and reserves

For the year ended 31 March 2021

	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 2020	-	466.9	-	466.9
Net profit for the financial year	11.5	27.4	-	38.9
Introduction of capital	-	-	-	-
Other comprehensive income	-	-	-	-
Revaluation deficit of owner occupied properties	-	-	-	-
Total comprehensive profit for the year ended 31 March 2021	11.5	27.4	-	38.9
Due to the Scottish Government Consolidated Fund – paid in year	(4.0)	-	-	(4.0)
Due to the Scottish Government Consolidated Fund – payable	(7.5)	-	-	(7.5)
As at 31 March 2021	-	494.3	-	494.3

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 European Union and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The accounts will, so far as appropriate, comply with the SPFM and the accounts direction issued by 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(1). Currently the split set out in the Crown Estate Act 1961 (as amended) is utilised.

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, 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 or significant non-adjusting events have occurred between the 31 March reporting date and the date of authorisation.

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;
- 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 23). 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 £4.7m (£4.3m 2019/20). Licence revenue from undersea cable, pipelines and interconnectors, and coastal moorings is £3.6m (2019/20 £3.7m).

Revenue breakdown

	2020-21 £m	2019-20 £m
Lease revenue	16.9	17.7
Other revenue from contracts with customers	4.7	4.3
	21.6	22.0

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 23).

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 21).

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.

In the 2019/20 annual accounts, as a result of the COVID-19 situation (and in accordance with current RICS guidance) all individual valuations contained 'material uncertainty' clauses – the Red Book defines 'material uncertainty' as being where 'the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted'. This year there were no material uncertainty clauses in any of the external valuation reports.

The impact of 'material uncertainty' is to reduce the certainty that can be attached to the valuation. However, professional judgement has been applied throughout and the valuation represents the best information available to Crown Estate Scotland. For illustrative purposes, a 10% change in valuation would be expected to have a £45.6m impact on the Statement of Financial Position.

4. Changes in accounting policies not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations were issued but not yet adoptive. IFRS 16 – Leases is effective from the financial year ending 2021-22. The projected impact of this is not expected to be material.

5. Segmental Analysis

Business segmental analysis

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

Revenue Account

							Year ended 31 March 2021	Year ended 31 March 2020
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Rent and royalties	6	3.2	3.7	12.9	0.7	-	20.5	21.3
Produce	6	0.3	-	-	-	-	0.3	0.6
Other income	6	-	-	0.8	-	-	0.8	0.1
Revenue		3.5	3.7	13.7	0.7	-	21.6	22.0
Direct costs:								
Management fees and costs	7	(0.9)	(0.8)	(0.3)	(0.1)	-	(2.1)	(1.9)
Repairs and maintenance	7	(0.8)	-	-	-	-	(0.8)	(1.3)
Other direct expenditure	7	(0.9)	(0.2)	(0.2)	(0.1)	-	(1.4)	(1.6)
Total direct costs		(2.6)	(1.0)	(0.5)	(0.2)	-	(4.3)	(4.8)
Gross profit		0.9	2.7	13.2	0.5	-	17.3	17.2
Indirect costs:								
Administrative expenses	8	-	-	(0.4)	-	(3.2)	(3.6)	(3.3)
Total indirect costs		-	-	(0.4)	-	(3.2)	(3.6)	(3.3)
Operating profit/(loss)		0.9	2.7	12.8	0.5	(3.2)	13.7	13.9
Investment revenue	10	-	-	-	-	-	-	0.1
Net operating profit/(loss) before depreciation, capital transfer agreements and Statutory transfers		0.9	2.7	12.8	0.5	(3.2)	13.7	14.0
Depreciation of tangible fixed assets	19	-	-	-	-	(0.1)	(0.1)	(0.2)
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		0.9	2.7	12.8	0.5	(3.3)	13.6	13.8
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	11	-	-	-	-	(1.9)	(1.9)	(1.5)
Statutory transfers	14	-	-	-	-	(0.2)	(0.2)	(0.3)
Net revenue account profit/(loss) distributed to the Scottish Government Consolidated Fund		0.9	2.7	12.8	0.5	(5.4)	11.5	12.0

Capital Account

							Year ended 31 March 2021	Year ended 31 March 2020
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Income from sale or leases	6	-	-	0.1	-	-	0.1	0.1
Charge from revenue account for salary costs	9	(0.2)	-	(0.7)	-	(0.2)	(1.1)	(0.9)
Capital impairment	20	-	-	-	-	-	-	-
Net revaluation gain/loss on investment property (including profit/(loss) on disposal)	12	6.1	3.2	21.5	(4.4)	-	26.4	39.5
Capital profit before capital transfer agreements and Statutory Transfers		5.9	3.2	20.9	(4.4)	(0.2)	25.4	38.7
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	11	-	-	-	-	1.9	1.9	1.5
Statutory transfers	14	-	-	-	-	0.2	0.2	0.3
Net capital account profit		5.9	3.2	20.9	(4.4)	1.9	27.5	40.5

Consolidated Statement of Financial Position

							Year ended 31 March 2021	Year ended 31 March 2020
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Non-current assets:								
Investment properties	16	128.9	38.4	279.6	8.6	-	455.5	426.1
Owner occupied property	17	0.1	-	-	-	-	0.1	0.1
Plant and equipment	19	0.1	0.4	-	-	0.3	0.8	0.5
Receivables due after one year	20	0.2	-	6.0	-	-	6.2	6.9
Total non-current assets		129.3	38.8	285.6	8.6	0.3	462.6	433.6
Unallocated current assets							53.0	51.4
Unallocated liabilities							(21.3)	(18.1)
Net assets							494.3	466.9
Acquisitions and capital expenditure	16	5.9	0.1	1.3	-	0.2	7.5	3.7

6. Revenue

		Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Revenue account			
Rent and royalties		20.5	21.3
Produce		0.3	0.6
Other income		0.8	0.1
Total revenue reflected in the revenue account		21.6	22.0
Capital account revenue			
Revenue – amortisation of income from grant of lease premia		0.1	0.1

7. Costs

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Management fees and costs	2.1	1.9
Repairs and maintenance	0.8	1.3
Other direct expenditure	1.4	1.6
Administrative expenses (see note 8)	3.6	3.3
Total costs reflected in revenue account	7.9	8.1

8. Administrative Expenses

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Members' remuneration	0.1	0.1
Management and administration expenses	3.5	3.2
	3.6	3.3

Auditors' remuneration of £67,962 (2019/20: £41,295) is included within Management and administration expenses. This is split between internal audit, £28,023 (2019/20: £4,050), and external audit, £38,245 (2019/20: £37,245). Fees paid to internal auditors during 2020/21 for non-audit services £3,445 (2019/20 £nil).

9. Staff Costs

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Wage and salaries	2.8	2.4
Social security costs	0.4	0.3
Pension costs defined benefit scheme	0.7	0.6
Total staff costs	3.9	3.3
Less staff costs charged to capital account	(1.1)	(0.9)
Staff costs reflected in the revenue account	2.8	2.4
Included in:		
Administrative expenses	1.8	1.6
Direct costs	1.0	0.8
Charged to the capital account	1.1	0.9
	3.9	3.3
	Number	Number
The average number of employees during the year	55	49

10. Investment Income

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Bank interest receivable	-	0.1

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

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £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	1.9	1.5
Depreciation of fixed assets charged as costs in the income account	0.1	0.2
Total recovered under capital transfer agreements	2.0	1.7

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

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Reflected in the capital account:		
Surplus on revaluation of investment properties	25.1	38.8
Adjustment for gross up for deferred rent movement	(0.1)	(0.1)
Gain on disposal of investment properties	1.3	0.8
Deficit on revaluation of owner occupied properties	-	-
Net revaluation gains on investment property (including profit/(loss) on disposal)	26.3	39.5

13. Financial Instruments

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

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 2021 £m	Year ended 31 March 2020 £m
Long term receivables (note 20)	6.2	6.9
Trade receivables (note 21)	9.8	6.1
Other receivables (note 21)	-	-
Accrued income (note 21)	3.1	3.3
Cash and Cash Equivalents (note 22)	39.9	41.8
	59.0	58.1

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Long term payables (note 23)	6.3	5.8
Trade payables (note 23)	0.9	0.3
Rents received or invoiced in advance (note 23)	4.5	4.3
Accrued expenditure (note 23)	0.9	0.8
Due to the Crown Estate Commissioners (note 23)	0.1	0.1
Due to the Scottish Government Consolidated Fund (note 23)	7.5	6.0
	20.2	17.3

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 18).

14. 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.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Transfer from revenue account to capital account:		
Mining and/or mineral dealings	0.2	0.3

15. Scottish Government Consolidated Fund Payment

In accordance with section 1 of the Civil List Act 1952, the payment of hereditary revenues from Scottish assets is to be paid into the Scottish Government Consolidated Fund. £4.0m (2019/20: £6.0m) was paid to the Scottish Government prior to the year end and a further £7.5m (2019/20: £6.0m) is included within payables.

16. Investment Properties

Portfolio	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Fair value at 1 April 2020	120.9	35.3	256.9	13.0	-	426.1
Acquisitions	3.8	-	-	-	-	3.8
Capital expenditure	2.1	0.1	1.3	-	0.2	3.7
Capital receipts	0.0	0.0	0.6	0.0	-	0.6
Disposals	(2.0)	(0.2)	-	-	-	(2.2)
Revaluation	4.2	3.2	20.8	(4.4)	(0.2)	23.6
At closing valuation	129.0	38.4	279.6	8.6	-	455.6
Deferred income from lease premia received	-	-	(0.1)	-	-	(0.1)
Fair value at 31 March 2021	129.0	38.4	279.5	8.6	-	455.5

Included in deferred income from lease premia received is £122,008 (2019/20: £120,574), 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 2021 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 18.

17. Owner occupied property

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Fair value at opening	0.06	0.04
Capital expenditure	-	-
Disposal	-	-
Revaluation	-	0.02
Fair value closing	0.06	0.06

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 2021 by Strutt & Parker, independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. Information about the fair value measurement of owner occupied properties is set out in note 18.

18. Fair value measurement of properties

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

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS valuation - 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 2021 £m	Predominant valuation technique	Key observable inputs	Range	Principal valuer
Rural and Coastal portfolio:					
Agricultural (including Development Land)	103.5	Comparable / Investment	Proportion of vacant possession Yield	53% 2.6%	Strutt & Parker
Coastal	38.4	Investment	Yield	8%-15%	Savills
Forestry	22.5	Comparable	Land value Timber value	£1,200-£3,450 (Av £ p Ha) £1,965-£6,782 (Av £ p Ha)	Tim R Kirk
Minerals	3.1	Investment	Yield	7%-15%	Wardell Armstrong
	167.5				
Marine portfolio:					
Renewables – Offshore Wind	228.6	Investment/DCF	Yield Discount rates	4.5%-20% 7.25%-22.75%	Savills
Renewables – Wave & Tidal and Carbon Capture & Storage	0.2	DCF	Discount rates	10%-27.5%	Powis Hughes
Cables & Pipelines	24.3	Investment	Yield	5.5%-12%	Powis Hughes
Aquaculture	26.4	Investment	Yield	12.85%-18.35%	Savills
	279.5				
Urban portfolio:					
Offices	4.4	Investment	ERV Yield	£20-£22 psf 6.5% - 7.5%	JLL
Retail	4.2	Investment	ERV Yield	£110 psf ZA 7.75%	JLL
	8.6				
Total all portfolios at valuation	455.6				

Owner occupied property valued at £0.06m 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.

In the 2019/20 annual accounts, as a result of the COVID-19 situation (and in accordance with current RICS guidance) all individual valuations contained 'material uncertainty' clauses. The Red Book defines 'material uncertainty' as being where 'the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted'. The impact of 'material uncertainty' is to reduce the certainty that can be attached to the valuation.

This year material uncertainty clauses have been removed from all our valuations.

For illustrative purposes, a 10% change in valuation would be expected to have a £45.6m impact on the Statement of Financial Position.

19. Plant and equipment

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

2019/20	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
Cost at 1 April 2019	0.4	0.0	0.4	0.0	0.0	0.8
Additions	0.1	-	0.1	0.0	0.0	0.2
Disposals	0.0	-	-	-	-	0.0
Cost at 31 March 2020	0.5	0.0	0.5	0.0	0.0	1.0
Depreciation at 1 April 2019	0.1	0.0	0.2	0.0	0.0	0.3
Charge	0.0	0.0	0.2	0.0	0.0	0.2
Disposals	0.0	-	-	-	-	0.0
Total depreciation at 31 March 2020	0.1	0.0	0.4	0.0	0.0	0.5
Net book value at 31 March 2019	0.3	0.0	0.2	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

20. Receivables due after one year

	As at 31 March 2021 £m	As at 31 March 2020 £m
Other receivables	6.2	6.9

21. Trade and other receivables

	As at 31 March 2021 £m	As at 31 March 2020 £m
Trade receivables	9.8	6.1
Other receivables	0.0	0.0
Prepayments	0.2	0.2
Accrued Income	3.1	3.3
	13.1	9.6

Trade and other receivables are shown after deducting provisions for bad and doubtful debts of £116,246 (£141,926 in 2019/20). 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 debts of £41,340 were written off (2019/20 £14,607).

22. Cash and Cash Equivalents

	£m
Balance as at 1 April 2020	41.8
Net change in cash and cash equivalents	(1.9)
Balance as at 31 March 2021	39.9
The following balances were held within:	
Revenue account	4.3
Capital account	35.6
Balance as at 31 March 2021	39.9

23. Payables

	As at 31 March 2021 £m	As at 31 March 2020 £m
Amounts falling due within one year:		
Trade payables	0.9	0.3
Rents received or invoiced in advance	4.5	4.3
VAT and other taxes payable	0.8	0.7
Due to the Crown Estate Commissioners	0.1	0.1
Due to the Scottish Government Consolidated Fund	7.5	6.0
Accruals and deferred income	1.2	0.9
	15.0	12.3
Amounts falling due after more than one year		
Deferred income on grant of long leases	6.3	5.8
	6.3	5.8

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 2021 £0.1m (2019/20: £0.1m) was outstanding to the Crown Estate Commissioners.

24. Leasing

Operating leases with tenants

Crown Estate Scotland leases out the majority of its investment properties for average lease terms of 24 years to expiry. 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 2021 £m	As at 31 March 2020 £m
Less than one year	5.1	5.1
Between one and five years	17.3	17.8
More than five years	133.8	128.5
	156.2	151.4

Crown Estate Scotland has no obligations under finance leases. Contingent rents receivable were £10.0m at 31 March 2021 (2019/20 £9.7m). The values reported in this year's disclosure are over the life of lease. This differs to the disclosure in the prior year which presented annual values.

25. Capital Commitments

At 31 March 2021 capital expenditure of £0.5m had been authorised but not yet committed (2019/20: £0.7m).

26. Contingent Liabilities

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

Crown Estate Scotland is not subject to any ongoing litigation.

27. Related Party Transactions

Certain Board members hold posts, or have interests, in other organisations with which Crown Estate Scotland transacts. The table below sets out details of the related parties and the transactions undertaken during the period to 31 March 2021.

Member	Organisation	Position held	Amounts receivable by Crown Estate Scotland 2020/21 (2019/20)£	Amounts payable by Crown Estate Scotland 2020/21 (2019/20) £	Nature of transaction
Amanda Bryan	Highlands and Islands Enterprise	Board Member	12,880 (12,880)	-	Rental income
Michael Foxley	Mallaig Harbour Authority	Member	15,450 (29,060)	-	Rental income
Richard Morris	Forestry Commission	Employee	8,945 (3,240)	-	Rental income
Hugh Raven*	Marine Conservation Society	Trustee	-	n/a (10,028)	Education project funding
Robert Mackenzie	Ferguson Marine (Port Glasgow) Limited	Director**	7,235 n/a	-	Rental income
Jean Lindsay	Revenue Scotland	Board member	-	nil	Land & Buildings Transaction Tax (LBTT)***

* stepped down on 31 January 2020, **From 10 June 2020, ***during the year to 31 March 2021 Crown Estate Scotland purchased two land assets. Legal advice was sought, and it was determined that LBTT was not due on these transactions

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 15 for further details.

During the period to 31 March 2021 £313,897 (2019/20 £170,093) was payable by Crown Estate Scotland to Marine Scotland, the directorate within Scottish Government responsible for sponsoring Crown Estate Scotland.

28. Third party deposits

At 31 March 2021 Crown Estate Scotland held £159,780 of tenant deposits on behalf of third parties (2019/20: £79,182).

29. Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the 31 March 2021 reporting date and the date of authorisation.

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.

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