

Annual Report and Accounts to 31 March 2023



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



A man with a beard, wearing a dark blue jacket and black trousers, stands on a grassy hill. Behind him is a large, two-story stone building with a grey slate roof. The building has four arched openings: two on the upper floor and two on the lower floor. The surrounding landscape is a mix of green grass and brown, dry vegetation, with hills in the background.

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

Cover: Helen Smith, our tenant at Byres Farm on the Fochabers Estate
This spread: Mark Johnston, Head Ranger and Karen Smith, Countryside Business Assistant,
outside the Lecht Mine building on the Glenlivet Estate

Some figures in this report have been rounded.



CONTENTS

Performance Report

1. Overview	3
1.1 Statement from the Chief Executive.....	3
1.2 Who we are and what we do.....	5
1.3 Forward-look for 2023-24 and beyond.....	19
2. Performance Analysis	26
2.1 Managing uncertainties and risk.....	27
2.2 Overview of financial performance	30
2.3 Asset performance	33
2.4 Non-financial information	38

Accountability Report

3. Governance.....	43
3.1 Members' Report	43
3.2 Statement of Accountable Officer's	
Responsibilities.....	44
3.3 Governance Statement.....	45
3.4 Remuneration and Staff Report	48

Finance Report

4. Financial statements	55
4.1 Independent Auditor's Report	55
4.2 Statements of comprehensive income	58
4.3 Statement of financial position	59
4.4 Cash Flow Statement.....	60
4.5 Statement of changes in capital and reserves	61
4.6 Notes to the financial statements	62

Appendix 1	83
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Appendix 2	85
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Sian Wilson, Head of Offshore Development (Emerging Technology & Infrastructure) meets colleagues in our Edinburgh office.

Introduction

Welcome to Crown Estate Scotland's sixth annual report.

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

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

This year was notable for the strong progress made in offshore wind leasing, new rounds of funding for community projects and the appointment of a new Chief Executive – but sadly, also for the passing of Her Majesty The Queen.

In this report we outline what we delivered in 2022-23 and look at some of the opportunities and challenges which lie ahead.

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 2022-23.

1.1 Statement from the Chief Executive

When I accepted the role of Chief Executive at Crown Estate Scotland, I was hugely excited about the opportunity – and challenge - of helping a relatively new organisation grow and expand what it delivers for Scotland.

What was less apparent from the outside looking in was the sheer scope of the work covered by this organisation, and the remarkable industry and achievement of the staff behind it.

I'd like to take this opportunity to thank my predecessor, Simon Hodge,

for all his work to cultivate such a remarkable team. It has been my pleasure to inherit a business well positioned for growth and impact.

The past year has seen milestones for Crown Estate Scotland in areas of work spanning each of our five

strategic objectives, and all that I have seen since joining in September has been a wonderful induction for me to this business.



Ronan O'Hara, Chief Executive



Credit: Alba Photos

Our most visible work continues to be in **supporting the sustainable expansion of Scotland's blue economy.**

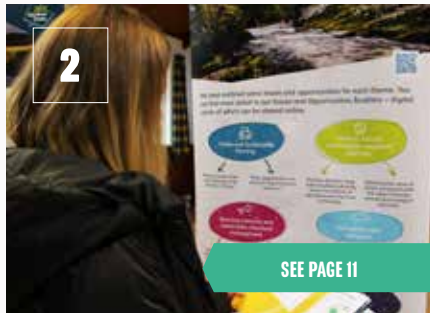
In 2022-23 we completed the ScotWind leasing round and entered into option agreements for 20 projects with a total generating capacity of up to 27.6GW, and up to £1bn investment in Scotland per GW built, according to developers' initial commitments.

As ScotWind was nearing completion, our INTOG round was opening for applications. INTOG invited applications for Innovation (IN) and Targeted Oil and Gas (TOG) projects, with the twin aims of encouraging innovative projects and decarbonising energy supply to oil and gas infrastructure in the North Sea.

Following the INTOG leasing process, 13 projects with a total proposed capacity of up to 5.4GW were offered exclusivity agreements, representing the first step on the path to development and eventual construction.

Taken together, these offshore wind projects offer Scotland a transformative opportunity: the chance to meaningfully progress emissions reduction while simultaneously establishing and developing home-grown industries to support construction and maintenance and innovation.

But, as significant as these projects are, they are only a part of the work our team take on.



SEE PAGE 11

The second of our objectives is **investing in buildings and helping to create great places**, and it's an area which has seen continued development in 2022-23.

We have built upon the success of our community conversation on the Whitehill Estate, launching two similar schemes in Mosstodloch and Glenlivet, which will help local people take a leading role in creating future plans for their local area.

We have continued development work on the proposed ZeroFour innovation hub at Montrose, which we hope will play a major part in supporting Scotland's offshore wind sector and bring new job opportunities to Angus. The next twelve months will see us continue to develop the project toward a position which best meets our objectives.

This year also saw the completion of works at Corpach Marina, the first of our investments made through the Boat-Based Tourism Challenge Fund. The upgraded facility was opened by the Princess Royal in early April 2023 following a £500k investment from Crown Estate Scotland.



SEE PAGE 13

Our Innovation with Natural Resources Challenge Fund, part of a drive to **promote new, sustainable ways of using natural resources**, received eight applications during the year. In the coming year, we'll progress business cases as we work towards delivering further investment.



SEE PAGE 15

Our work to **involve people in how land, coastline and seabed are managed** has continued apace, and this year our team finalised an agreement with Orkney Islands Council which will give greater local input into seabed agreements being established in Orcadian waters.

This adds to our local management partnership with Forth District Salmon Fisheries Board, and work continues on a further two projects aimed at enhancing local community input into what we do.

All of this represents a huge amount of activity, the success of which depends on the readiness of our team to deliver it. Since I joined Crown Estate Scotland, we have started to invest in developing our corporate practices and culture, as well as reviewing capacity and capability. Only by maintaining our 'corporate fitness' will we be able to successfully



SEE PAGE 17

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

These are only the highlights of a year which has seen us generate £103.6m for the Scottish Government's public spending, and increase the value of the Scottish Crown Estate from £568.2m to £653.1m.

One more significant milestone was reached in June 2023 when Amanda Bryan, the first Chair of Crown Estate Scotland, stood down from her role after just over six years. Euan McVicar has succeeded her as Chair following his appointment by Scottish Ministers.

Chairs and Executives inevitably change in a business like ours, but Amanda's contribution to establishing Crown Estate Scotland in Scottish public life will remain a unique one. Through the combination of intelligence, dedication and tenacity, she has given our young organisation a great deal; more than can be put into words here.

On behalf of myself and all colleagues who have had the privilege of working with Amanda, I'd like to thank her for her enormous contribution to Crown Estate Scotland's success and wish her well in whatever may come next.

Ronan O'Hara
Chief Executive,
Crown Estate Scotland

06 December 2023



Jamie Macfarlane, our ZeroFour Development Manager, shows members of the project team around the site.

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 2023 of £653.1m.

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

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

Our revenue profits are paid to the Scottish Government. Most of these funds to date have been redistributed by the Scottish Government to coastal local authorities to fund projects benefitting coastal communities.¹ From our first four years of operating alone £39m was distributed to local authorities with Highland, Eilean Siar and Shetland Islands receiving multi-million pound awards.²

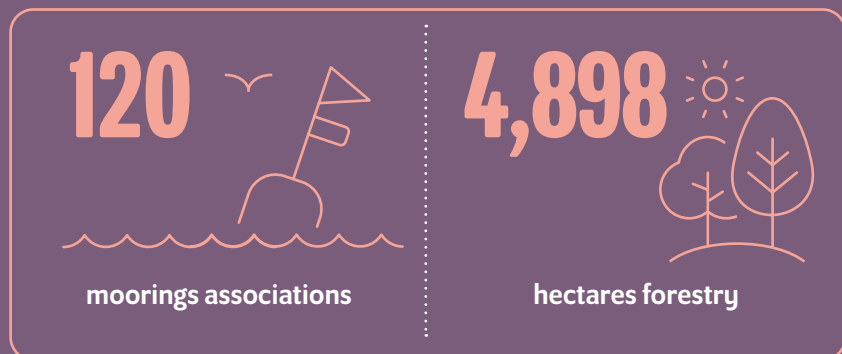
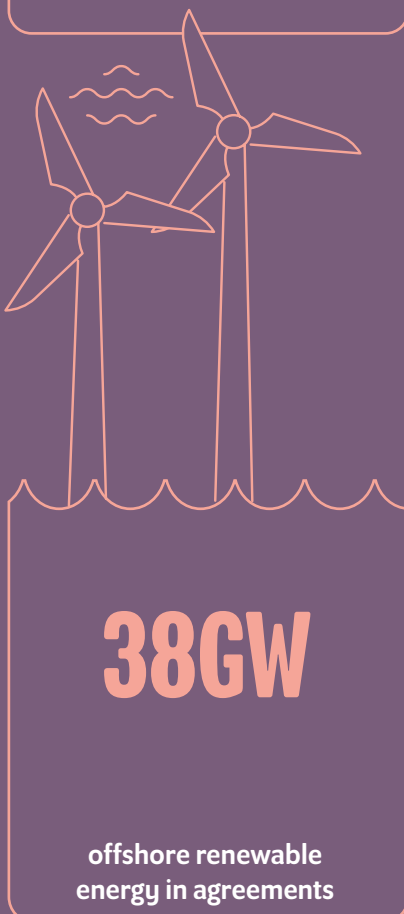
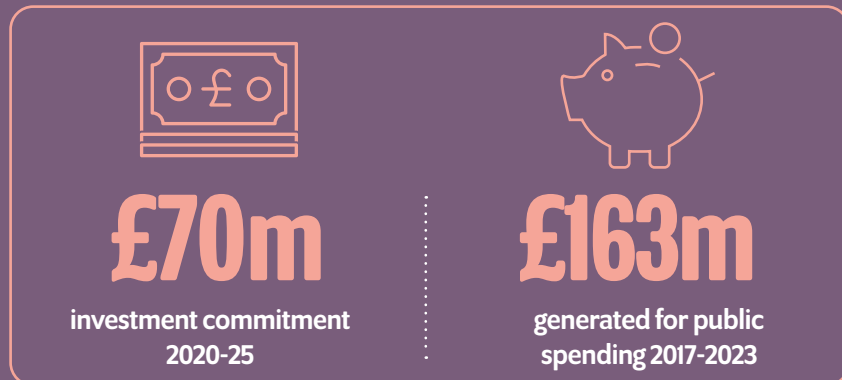
The Scottish Crown Estate Act 2019 ('the Act') provides a national framework covering a range of matters relating to management of the Scottish Crown Estate. In particular, the Act:

- Allows eligible bodies ('managers') (e.g. local authorities, harbour authorities, Scottish Ministers, other public bodies and community organisations), to take on responsibility for specific assets, potentially in partnership or with support from us.
- Sets a duty on all managers, including Crown Estate Scotland, to maintain and seek to enhance income from and the value of the assets in a way that furthers sustainable development in Scotland, specifically economic development; regeneration; social wellbeing; and environmental wellbeing.

¹ <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations>

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

Crown Estate Scotland at a glance³



³ Figures as at 31 March 2023

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.⁴ Our corporate plan aligns with this vision.

Our work

We manage the assets across four categories or types:⁵

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

Our work can be categorised into four roles and supports the Scottish public sector's overall purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing wellbeing, and sustainable and inclusive economic growth.

Our approach

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

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

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

At 31 March 2023, we had 73 staff working across different parts of Scotland and we contract teams of managing agents to provide specialist knowledge and support in rural and coastal areas.

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

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

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

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

A description of each of our strategic objectives and how our work in 2022-23 contributed to delivering each of them, can be found in the pages which follow.

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.



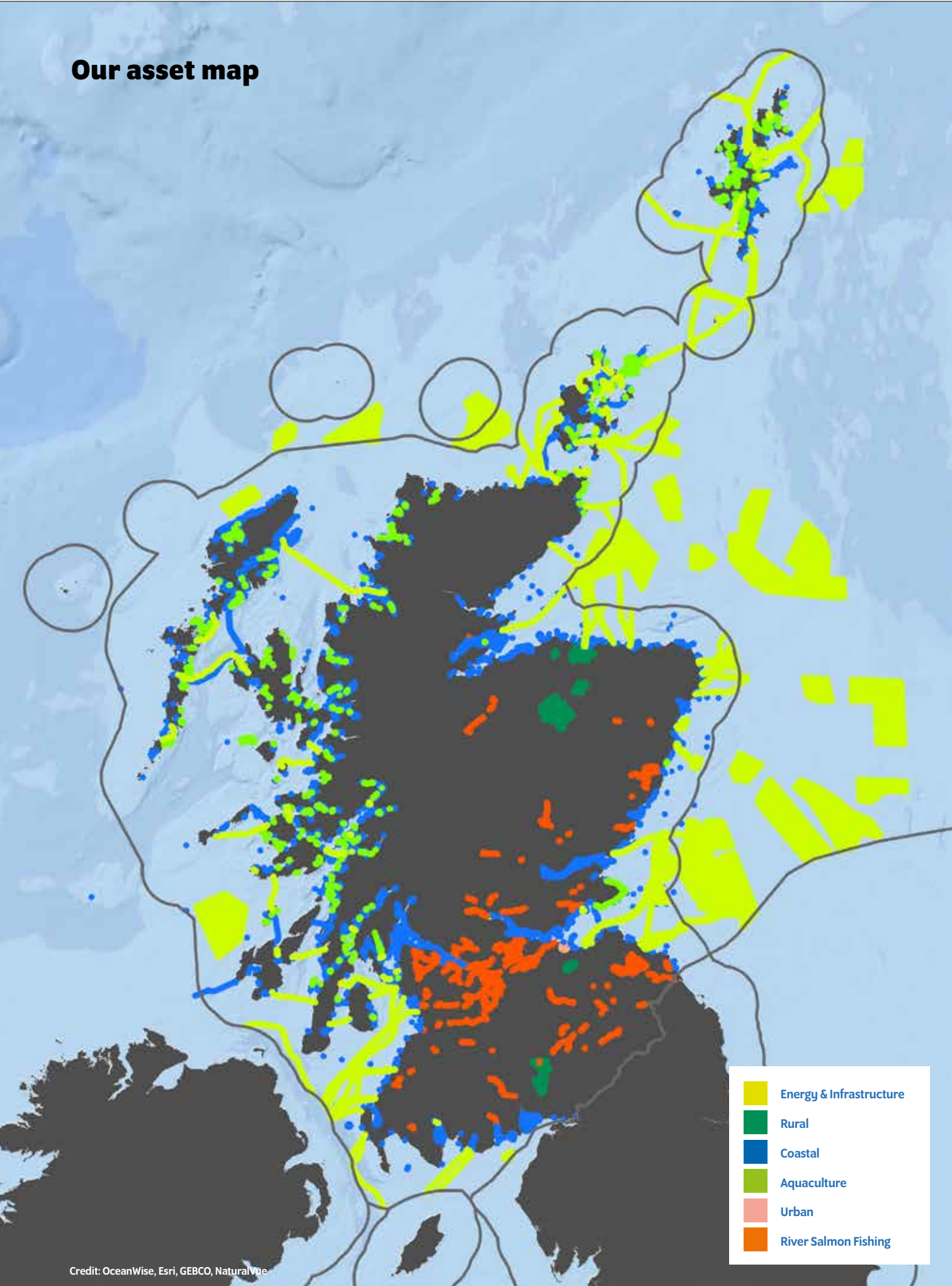
Coordinator

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

⁴ See the Scottish Government's Scottish Crown Estate Strategic Management Plan at <https://www.gov.scot/publications/first-strategic-management-plan-scottish-crown-estate>

⁵ Work continues to develop financial processes to align with these four new categories.

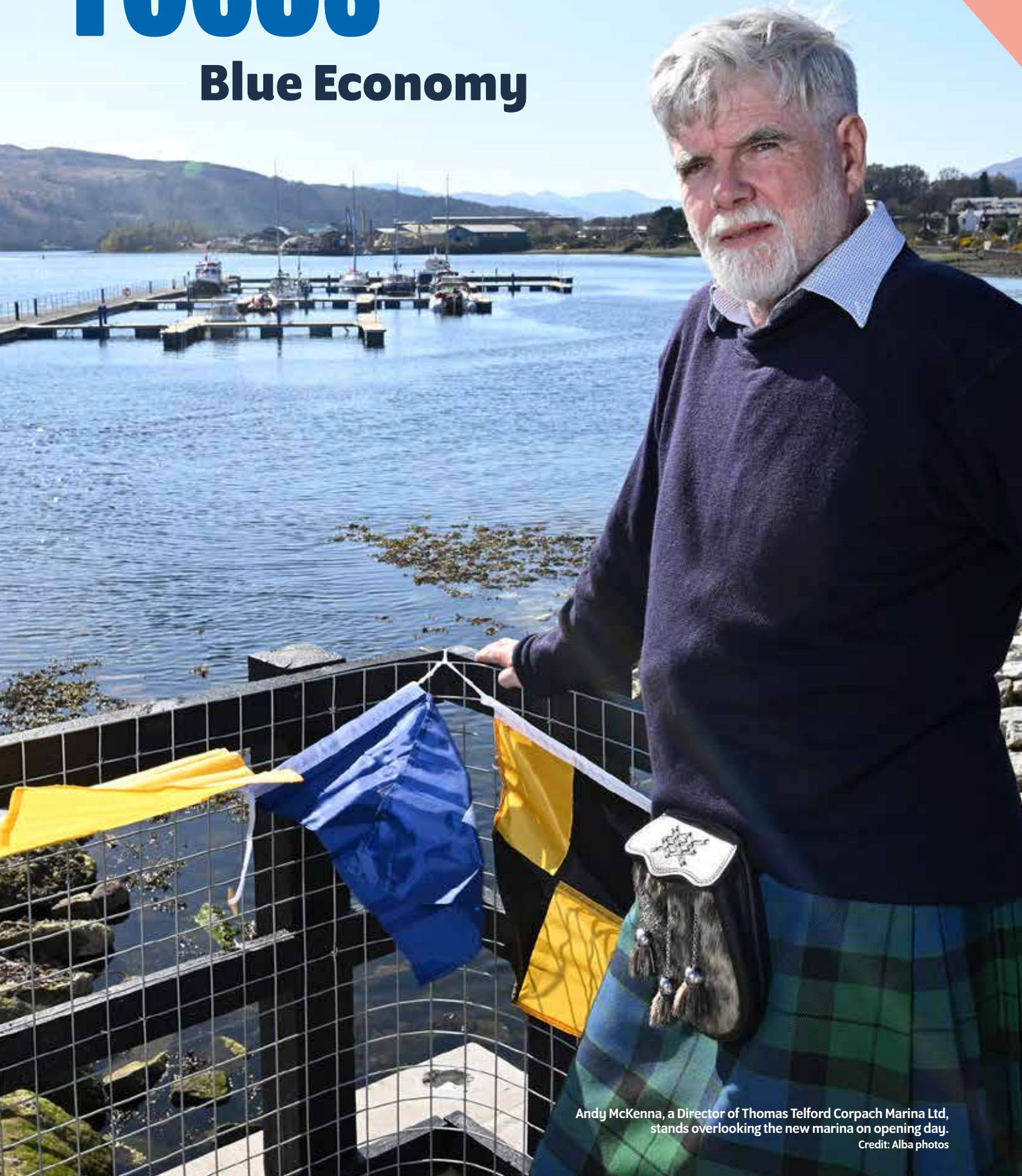
Our asset map



Credit: OceanWise, Esri, GEBCO, NaturalVue

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Blue Economy



Andy McKenna, a Director of Thomas Telford Corpach Marina Ltd, stands overlooking the new marina on opening day.
Credit: Alba photos

STRATEGIC OBJECTIVE 1

1

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

Our first investment through the Boat-Based Tourism Challenge Fund was announced in 2022-23, with £500,000 for the Thomas Telford Corpach Marina in Fort William.

According to the Economic Value of Boating Tourism in Scotland Survey 2022, sailing and boating is estimated to contribute £84m in Gross Value Added and over 3,000 full-time equivalent (FTE) – many in rural and fragile coastal communities.

The marina has been developed with a partnership approach by community volunteers from Caol Regeneration Company, supported not only by us but also by The Highland Council, Scottish Government, Highlands & Islands Enterprise (HIE), MOWI, SSE and many other local businesses and organisations.

Located at the entrance to the Caledonian Canal, it offers a sheltered, all-weather, fully accessible marina and public slipway, with berths for 45 yachts and motor vessels plus small day boats, café, and amenities.

The development also aligns with the latest Scottish Marine Tourism Strategy 'Giant Strides 2020-2025', and it is hoped that it will help deliver the wider economic benefits

identified within the 'Fort William 2040' masterplan, which incorporates the importance of water and the need to take full advantage of existing water assets to support industry, tourism, and communities.

The Princess Royal officially opened Corpach Marina in April 2023.

Amanda Bryan, Chair of Crown Estate Scotland, said: *"Today's opening of Corpach Marina marks a significant moment not just for Fort William and Lochaber, but for demonstrating how partnership working can help deliver for coastal communities."*

"Crown Estate Scotland's lease of the seabed to the marina plus a commitment of £500,000 of capital investment forms part of a wider programme of support for people across Scotland to develop economic opportunities that can – as shown at Corpach – have multiple benefits for those who live, work, and visit an area. We look forward to working with other coastal communities to achieve similar successes."

What we delivered in 2022-23

Engaged with energy ports around Scotland, taking a sector-wide approach to help ensure our enabling work and investment contributes to building long-term port capacity & capability. This included contributing to and funding Scottish Offshore Wind Energy Council (SOWEC) which is carrying out vital sector work covering supply chain, skills, planning and more.

1

Launched the INTOG offshore wind leasing round resulting in 13 projects being offered exclusivity agreements.

3

Finalised 20 ScotWind option agreements and published summaries of all projects' Supply Chain Development Statements.

4

On supply chain specifically, we led work with SOWEC to establish the Collaborative Framework Charter, with 26 developers now signed up. The primary output following the conclusion of the Charter is the Strategic Investment Model, with an initial focus on delivering infrastructure investment and securing industrial manufacturing.

2

Completed changes to lease terms and conditions flowing from our review of aquaculture leasing.

5

Completed a review of private mooring licence fees.

6

Worked with The Crown Estate to launch the first round of formal engagement with developers on Carbon Capture Utilisation and Storage (CCUS) to explore and understand market requirements for future seabed and subsurface carbon store development.

7

Renewed and refreshed our Memorandum of Understanding with North Ayrshire Council to continue to support on marine tourism and other partnership opportunities.

8

STRATEGIC OBJECTIVE 2

Invest in buildings and help create great places

2

This year saw us build on the success of the community conversation begun at the Whitehill Estate in 2021-22 by establishing the Glenlivet Estate 2050 project in partnership with Moray Council, Cairngorms National Park Authority and Highlands and Islands Enterprise.

The aim of the project is to identify how the Glenlivet Estate may best adapt for the future in a way that:

- Supports local jobs and investment;
- Attracts the next generation;
- Improves the environment; and
- Helps to address the challenges of the climate emergency and nature crisis.

The first stage of the project was concerned with initial stakeholder engagement and baseline analysis.

Throughout 2022-23, the project:

- Met with project partners and stakeholders to identify key themes which summarised the potential issues and opportunities for the Glenlivet Estate;

- Used these themes to create materials for a wider engagement with the community; and
- Launched a community conversation which ran for just over a month, combining a virtual exhibition with online and in-person workshops, one-to-one meetings and two public drop-in events at Glenlivet Public Hall.

The feedback gathered throughout this first stage will help us develop initial recommendations to be taken forward in a second stage, which will run during 2023-24.

Putting the priorities of local people at its heart, this next stage will identify opportunities and recommendations for the next five years and produce a long-term vision for the Estate out to the year 2050.

What we delivered in 2022-23

On the Rural Condition survey repairs, the works reached practical completion stage on the Applegirth, Whitehill, Glenlivet and Fochabers estates during the 2022-23. The remaining snagging works at Glenlivet and Fochabers will be completed during 2023-24 before the final retention is released.	1	Completed options appraisal on existing opportunities allocated within the current local development plan in Rosewell and across the wider Whitehill Estate and surrounding area.	2
Entered into a Memorandum of Understanding with Orkney Research and Innovation Campus.	3	Completed the draft masterplan for Mosstodloch on the Fochabers Estate in Moray.	4

A visitor attends one of the Glenlivet 2050 workshops held in Tomintoul

FOCUS

Buildings & Places

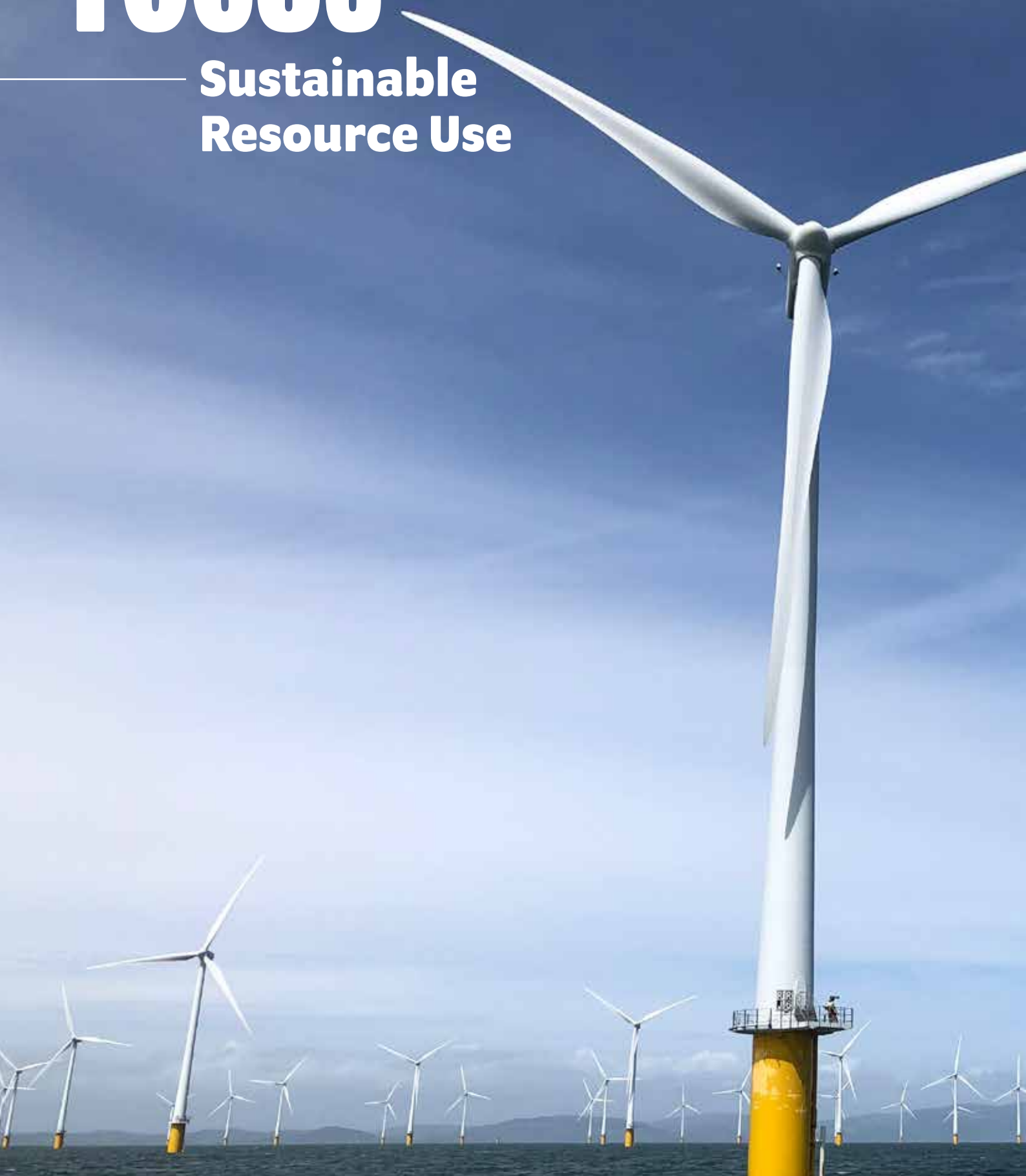


We have outlined some issues and opportunities for each theme. You can find more detail in our Issues and Opportunities Booklets – digital copies of which can be viewed online.



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Sustainable Resource Use



STRATEGIC OBJECTIVE 3

3

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

Following hot on the heels of the ScotWind leasing, 2022-23 saw us announce the results of the INTOG round.

The INTOG process allowed developers to apply for seabed rights to develop offshore wind projects that either reduce emissions from the North Sea oil and gas sector - by supplying renewable electricity directly to oil and gas infrastructure (TOG) - or consist of small-scale (IN) innovative projects of 100MW or less. This distinctive offshore wind leasing is different to any other previously carried out in the UK or in the world.

A total of 13 projects, from the 19 that applied, were successful in the round. Collectively, they represent:

- An area of seabed covering 1,673km²;
- 5.5GW of proposed generating capacity; and
- £262m in total fees from the applicants, due to be received during 2023-24 on exclusivity agreement signing.

The successful projects have now been offered initial agreements (called exclusivity agreements) that, if accepted and signed, enable those projects to start offshore wind development work while the Scottish Government's planning process for the INTOG Sectoral Marine Plan (INTOG SMP) is completed.

It is hoped that these projects will also further stimulate innovation in Scotland's offshore wind sector, create additional supply chain opportunity, assist companies to enter the renewable energy market, and support net-zero ambitions.

Option agreements are expected to be offered to holders of exclusivity agreements in 2024. To secure an option agreement, developers must provide a Supply Chain Development Statement (SCDS), information from which will then be published.

What we delivered in 2022-23

1 Funded a project with the Marine Directorate of the Scottish Government to produce standardised online Fisheries Management Plans to support sustainable management of recreational fisheries.

2 Carried out research into coastal communities' experiences of marine natural capital projects to identify how Crown Estate Scotland can provide effective support.

3 Continued to fund marine capital research by the Solway Firth Partnership (as part of the Borderlands Growth Deal).

4 Launched the Innovation with Natural Resources Investment Challenge Fund and assessed initial applications.

5 Progressed peatland restoration at two sites at Glenlivet.

6 Supported the new Scottish Marine Environment Enhancement Fund (which is managed by NatureScot).

7 Started co-funding a Business Development Manager with Scottish Seaweed Industry Association.

STRATEGIC OBJECTIVE 4

Involve people in how land, coastline and seabed are managed

4

First established in 2020, the Sustainable Communities Fund invited a third round of applications from Crown Estate Scotland tenants and community projects around the country during 2022-23.

Over its initial three-year term, the Fund provided two types of grant:

- Community Capacity Grants, which provide early-stage financial support for community enterprise projects. This programme was open to all communities up to five miles from Scotland's coastline or within five miles of our rural estates.
- Environment Grants, which provide funding to Crown Estate Scotland tenants only, for projects which can deliver demonstrable environmental benefits within 18 months of award of funds.

With the third set of awards against this year's applications, the Fund has now awarded £970,000, up from an initial allocation of £750,000 in response to the popularity of the scheme.

Amongst the Community Capacity Grant applications received in 2022-23, seven projects across the Highland, Moray, Argyll & Bute, East Lothian and North Ayrshire regions are set to benefit from awards totalling £250,000.

These include projects addressing accommodation for health and social care workers in Arran, better living conditions for veterans in Forres, construction training courses for people in Dunbar, and the protection of a listed building in Canna to help attract more tourists.

Recipients of Environment Grant awards will be announced later in 2023-24.

The success of the Sustainable Communities Fund has led us to renew it for another three years. Applications for both types of grants will open again in August 2023.

What we delivered in 2022-23

Worked through the initial stage of the Local Partnerships Investment Challenge Fund, with 4 applications now progressing.	1	Signed a local management pilot agreement with Orkney Islands Council, and extended the pilot agreement with Forth District Salmon Fisheries Board.	2
Progressed potential farm sales by issuing 22 sales packs in March 2023. As at April 2023, 17 tenants have confirmed their wish to proceed to purchase.	3	Supported projects tackling marine litter, including Keep Scotland Beautiful's and Marine Conservation Society's engagement and education work.	4





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Involving People

Helen and Bill Smith, tenants at Byres Farm on the Fochabers Estate

FOCUS

Skills & Knowledge



Pupils from a local nursery school on a visit to the Glenlivet Estate

STRATEGIC OBJECTIVE 5

5

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

As stewards of the assets we manage, working with children and young people is vitally important. We can offer them education and experiences on the Estates, and they offer us hugely valuable insight into the values and priorities of their generation.

Throughout 2022-23, our Glenlivet Estate team played host to a range of young people in visits from various delegations.

Groups from the Universities of Exeter, Worcester and Highlands & Islands received inductions into the work at the rural estates, visited forestry sites and discussed biodiversity principles in land management.

Wilderness Foundation groups brought young people with complex needs, or those who are experiencing mental health challenges, to Glenlivet for a week of camping, exploration and work with the ranger service. These excursions can have a life-changing impact, coaxing some of the young people from a place of withdrawal and discomfort around adults, to one in which they can confidently present to a room full of our staff team about their experiences within the week.

Another important group to visit the Glenlivet Estate this year was the Crown Estate Scotland

Future Forum, a panel of children and young people who have volunteered to learn about the Scottish Crown Estate, our work on it and to share their ideas about where we should focus our efforts in the future.

This visit provided the setting for their broader discussion about how they wanted to work with us in the future. Crown Estate Scotland's Board and Chief Executive have stated they are committed to listening and acting on their input, ensuring it is not 'box ticking'.

The Future Forum will have a key role in shaping our 2025-30 Corporate Plan.

Mark Johnston, Head Ranger at Glenlivet Estate, said: *"Our remit on the Estate is broad but I see our work with young people as a key element of it. Welcoming young visitors who may not have experienced an area such as Glenlivet before and seeing the impact it can have on them is a real privilege."*

What we delivered in 2022-23

Achieved 94.65% alignment with the target level of the Scottish Government's Cyber Resilience Framework.

1

Implemented most actions in our first Equality, Diversity & Inclusion plan. We will now update it to add further commitment for 2023 to 2025.

2

Continued engagement and research to inform our Vision 2050 and 2025-30 Corporate Plan with a programme of leading thinkers in economy, society, and the environment holding discussions and workshops with our team and Board.

3

Progressed implementation of our Climate Change Action Plan, working with colleagues to develop and launch new green office and travel plans and submitting our first annual emissions report to Scottish Government.

4

Some actions from our 2022-23 Business Plan will be carried forward to 2023-24. These include identifying opportunities for acquisition of strategic development land and for renewables across the rural estates, progressing voluntary land registration, development of a new community engagement approach, and completing our Vision 2050 work.

1.3 Forward-look for 2023-24 and beyond

This year will see us continue to develop a long-term vision for Crown Estate Scotland, providing a framework for our work out to 2050, as well as our next five-year corporate plan. Managing land and property cannot be done on a short-term basis: taking this long-term view is essential if the Estate is to be managed in a way that optimises long-term benefits for Scotland.

To do this, we'll draw on insights from communities, tenants, and business sectors. This will include our ongoing speakers programme which invites leading thinkers on the economy, society, and the environment, to constructively challenge what we do and how we do it.

As we approach the end of our extended corporate plan period, we will also begin work on our next corporate plan to ensure that it aligns with this long-term vision. A central theme in our thinking will be the need to address the urgent, twin crises facing nature and the climate in the years ahead of us.

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

At Whitehill in Midlothian and Mosstodloch in Moray, we'll be working with stakeholders to progress masterplans with a view to unlocking investment in community infrastructure and new homes.

We'll also continue to progress a similar community conversation in and around Glenlivet to work with local stakeholders to develop a long-term vision for the area.

2022-23 saw us roll out a new pilot process to enable farmers on secure tenancies to buy or relinquish farms that they currently lease, supporting land ownership diversification. This

year will see us continue to progress discussions with those who are keen to pursue the opportunity.

The last year saw our first Challenge Fund investment bear fruit, as Corpach Marina reached readiness to open to the public (with the official ceremony held in early April 2023). In 2023-24, we will continue to progress other applications to the three Challenge Funds, which allocate up to a total of £9m capital investment in natural resource, local partnerships, and boat-based tourism projects, in line with applicants' plans and resource.

We launched the INTOG leasing round in 2022-23, designed to encourage offshore wind projects that will directly reduce emissions from oil and gas production and boost innovation, supporting achievement of Scotland's net zero targets. Nineteen applications were received and thirteen exclusivity agreements have been offered.

We will continue to work with stakeholders to enable offshore wind and associated supply chain development, including potentially investing in ports, as well as managing access to the seabed for development of net zero opportunities such as CCUS.

The need to ensure seabed is used for the benefit of the people of Scotland underpinned our review of aquaculture leasing. The review is now complete, and changes are being implemented in phases. We continue to support Scottish Government as appropriate in relation to changes resulting from the Aquaculture Regulatory Process review.

We will progress development of our marine natural capital strategy and



A concept illustration of Mosstodloch in 2040, drawn from the draft Masterplan document

develop a long-term approach in relation to blue carbon.

Place-based built development and investment that supports sustainable, inclusive economic growth and strengthens communities is a growing focus of our investment strategy.

At ZeroFour near Montrose, which we plan to develop into a hub for companies in clean growth and technology sectors, we'll continue to develop the project throughout 2023-24.



We continue to strengthen partnerships with enterprise agencies, local authorities, other public bodies and communities across Scotland, in line with our commitment to involve people in our decision-making and support them in realising their ambitions: our work with North Ayrshire Council, Portgordon Community Development Trust, and Fort William 2040 are just a few examples.

A new initiative in 2023-24 will see us work with Scottish Land Commission to develop a process that will enable us to pilot a process to acquire assets that will be transferred to community bodies, supporting more diverse ownership of land.

After an initial three-year run, we will re-launch our well-received Sustainable Communities Fund to provide much-needed support to local initiatives covering, for example, local energy plans, housing projects, childcare

services, and town centre regeneration.

Our team continues to evolve to ensure we have the right balance of in-house expertise and out-sourced support. Our new Chief Executive Ronan O'Hara joined in Autumn 2022 and our new Chair Euan McVicar took up post in July 2023. We look forward to working with him as we plan for the long term future of our organisation.

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



Credit: Equinor

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, CCUS, hydrogen and optimisation of seabed use.
- To successfully deliver offshore energy and infrastructure projects and maximise the opportunity presented to Scotland, the UK and Scottish governments and agencies will need to work closely together.
- Close integration is required with economic policy and enterprise support to secure supply chain benefits from Scottish offshore wind farms.
- Proactive development of ports and harbours infrastructure is needed to make Scotland an attractive place to invest for offshore wind growth, and new carbon and hydrogen market development.
- Investment in subsea cables is needed if Scotland is to become a nation with world class digital capability.

RISKS



- Market uncertainty presents challenges to determining the best market model for seabed leasing in different sectors.

Marine – Aquaculture

- Aquaculture is currently undergoing a regulatory review. Recommendations from the first stage of this review have been agreed in principle by Scottish Government – the ‘Griggs Report’ - and work is underway to progress these. Opportunities for improved processes and regulation is key to this review and Crown Estate Scotland will work with Scottish Ministers and others to help deliver this. The work currently underway is restricted to the finfish (salmon and trout) sector; shellfish and seaweed may be considered separately.
- The finfish sector continues to advance innovative techniques to sustainably develop the industry such as closed containment or waste capture technologies and equipment for finfish sites further offshore.
- The shellfish and seaweed farming sectors offer significant potential for local green growth.
- Scottish Government has published a vision and strategy for all aquaculture sectors that identifies the outcomes required to help address the barriers to the sustainable development of each sector.⁶

RISKS



- Trade agreements and transport disruptions continue to create challenges, primarily in relation to the shellfish sector. The salmon sector now appears to trade more freely albeit with greater bureaucracy.
- The marine environment is getting increasingly busy, requiring careful management of competing interests and identifying opportunities to optimise use of the seabed. Competition for space is expected to increase further as Scottish Government commitments are delivered on.
- Local communities and interest groups remain concerned regarding the growth of the finfish sector.
- There is a need to understand how pressures such as climate change will impact the industry.



6 <https://www.gov.scot/publications/vision-sustainable-aquaculture/pages/1>



Yachts and wooden boats anchored on a mooring near Rhu

Coastal

- There are major business opportunities for Scotland's ports and harbours to provide operations and maintenance, marshalling and manufacturing facilities to the offshore renewables sectors, and to provide oil and gas decommissioning services.
- Boat-based tourism has proved resilient throughout the pandemic. Businesses are taking the opportunity to grow sustainably. Interest has been noted from boat owners in moving their boats further north, away from traditional cruising waters.

Buildings & Place

- We are reviewing land use across our Estates to ensure we can best deliver on our corporate objectives in the short, medium and long term.
- We are committed to investing in built development to help unlock the economic potential of growth sectors including the blue and green economy.
- We are investing in local communities, building key relationships, and engaging with stakeholders across our existing estates to assess needs and how we can generate lasting value - creating sustainable communities through place-based regeneration.
- We are committed to playing a key role as enablers in supporting rural and coastal communities through placemaking and investment in built development.

RISKS



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



RISKS



- The economic and geopolitical landscape will continue to have an impact on development costs, timescales, availability of supply chain and access to funding.
- Coastal erosion due to climate change poses short, medium and longer term environmental and economic risks and permanent loss to our built development assets (land & property).



Andrew Jardine, tenant at New Farm on the Applegirth Estate

Rural land

- Farming is undergoing structural change as the industry responds to climate change, environmental, subsidy support, market, financial and demographic drivers. Crown Estate Scotland is working with tenants to explore what future sustainable farming and land use looks like.
- 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 and enjoyment of the outdoors.
- There is a broad debate in society and in government on aspects of sporting (shooting, stalking, and fishing) activity, which will inform Crown Estate Scotland's future approaches.
- The launch of the Scottish Government Wild Salmon Strategy provides opportunities for Crown Estate Scotland to work with tenants and partners in support of the implementation plan.
- High gold prices over the past year continue to drive interest in exploration for gold. There is also increased interest in critical minerals to support renewables projects.
- The Crown Estate Scotland Woodland creation policy will be launched in the coming year to support work towards net zero as well as opportunities for diversified income streams for landlords and tenants.

RISKS



- Geopolitical issues affecting supply chain and significant price inflation in fertilisers, fuel and other input costs will impact heavily on farmers and rural business.
- The costs of landlord investment in modernising farms and let residential properties are increasing.
- Uncertainty around the change in focus on subsidy, from food production to environmental activity, creates concern about the future viability of farming businesses.
- Coastal erosion due to climate change poses short, medium and longer term environmental and economic risks and permanent loss to our rural assets (land & property).

2. PERFORMANCE ANALYSIS

2. Performance Analysis

Our corporate plan details a range of KPIs and targets for the three years to March 2023 covering our five strategic objectives.

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

In Table 1 we provide updated figures for KPIs related to corporate plan objectives. During 2021-22, Scottish Ministers approved our request to extend the current corporate plan to March 2025.

In 2023-24 we will complete a review of KPIs and targets to ensure we have an updated set against which to monitor delivery from 2023 to 2025 and to prepare for the next corporate plan. This will include an updated target for (non-ScotWind) net revenue.

Our 2023-24 and 2024-25 business plans will set out appropriate new commitments so that we continue to deliver for Scotland.

Below we list all KPIs and associated targets based on the original corporate plan as published in April 2020.

Table 1: 2020-23 KPIs and targets

KPI	March 2023 target	How performance is tracked	Progress at 31/03/23	Progress at 31/03/22
GW of offshore renewables in seabed agreements	No specific target	Ongoing tracking as agreements entered into; Annual Report	38.05GW	10.38GW
Production capacity in new finfish agreements	No specific target	Annual Report	13,343 tonnes	7,673 tonnes
Total capital committed (including specifically Place-Based and Blue Economy projects / activities)	£70m	Quarterly reporting to Board	£14.2m	£12.9m
No. of projects promoting sustainable natural resource use	No specific target	Approved Investor or Enabler projects promoting sustainable natural resource use	26	22
No. of projects encouraging people to be more involved in how land, coast and seabed are managed	No specific target	Approved / ongoing Enabler projects	18	15
Net revenue	Total of £24m net revenue returned to Scottish Government over 2020-23 period ⁷	Quarterly reporting to the Board	£103.6m from 2022-23. This means a total of £130.9m in 2020-23.	£15.7m from 2021-22 activity returned. This means a total of £27.3m has been returned in 2020-22.
Capital valuation	Valuation increased on March 2020	Annual independent valuation	Scottish Crown Estate valued at £653.1m as at 31 March 2023.	Scottish Crown Estate valued at £568.2m as at 31 March 2022.
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	No staff survey was completed within FY 2022-23. The survey was undertaken in Q1 2023-24.	2020-21 staff survey shows: <ul style="list-style-type: none"> Satisfaction with Crown Estate Scotland as an employer at 80%; and Employee engagement score of 0.75. 2020 Scottish Government score is 0.69.

⁷ The target was set at the start of the corporate plan period and did not include any assumption for net revenue associated with ScotWind.

KPI	March 2023 target	How performance is tracked	Progress at 31/03/23	Progress at 31/03/22
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	<p>2022 research shows:</p> <ul style="list-style-type: none"> • Net favourability among MSPs 26% • Local authority CEOs' favourability 35% • Local authority Heads of Economic Development favourability 57%⁸ <p>2022 Stakeholder survey shows a 70% favourable opinion (cf. 2017-18 mean satisfaction of 7.2)⁹</p> <p>2022-23 Property survey shows mean satisfaction rating of 6.5 (cf. 2019- 2020 of 6.7)^{10 11}</p>	<p>2021 research shows:</p> <ul style="list-style-type: none"> • Net favourability among MSPs 29%¹² • Local authority CEOs' favourability 43% • Local authority Heads of Economic Development favourability 39%¹³ <p>2020-21 rural tenants survey shows mean satisfaction rating of 6.8 out of 10 (cf. 2017-18 6.3)¹⁴</p> <p>2020-21 energy and infrastructure survey shows mean satisfaction rating of 7 out of 10 (cf. 2018-19 6.9)¹⁵</p>

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.

The medium-term impacts of COVID-19 and Brexit on our tenants' sectors and the wider economy are strategic risks and as such are monitored by the Audit & Risk Committee. In addition, the Investment Committee tracks sector trends through regular market updates.

The Local Management Pilots Scheme, launched in 2018, has formed an important part of wider changes in how we empower communities and work with local partners. The process, along with additional information and insights from our team, informed Scottish Ministers' approach to implementing provisions in the Act relating to management of specific Scottish Crown Estate assets

being transferred or delegated to other eligible bodies. We have contributed to the development of Scottish Ministers' process for transfers and delegations and are working with government colleagues as they prepare to assess Expressions of Interest. Transfers and / or delegations may impact the delivery of current and future corporate plans. We will track impacts of both, helping to assess applications and the implementation of these arrangements through our established monitoring and reporting mechanisms.

In line with the Act, in 2020-21 we developed a framework (policy, guidance and internal process) to assess proposals for less than market value (LMV) transactions. As at March 2023 we have not completed a transaction or agreed a lease under less than market value, although a number of expressions of interest have been brought to a successful conclusion through other means.

We reviewed the LMV policy in 2022-23 and this will be published in 2023-24.¹⁶

⁸ PA Advocacy interviewed 70 MSPs in September-November 2022, and 17 Chief Executives & 23 Heads of Economic Development in May-June 2022.

⁹ Axiom Consulting surveyed stakeholders in March and April 2022. 32 respondents replied (56% response rate).

¹⁰ 2022-23 Property survey includes a all categories of tenants. 2019-20 surveys did not include sporting, recreational, industrial, and miscellaneous tenants.

¹¹ Axiom Consulting surveyed stakeholders in March and April 2022. 32 respondents replied (56% response rate).

¹² Restatement of 2021 figure from 38% to 29% due to calculation error.

¹³ PA advocacy interviewed 69 MSPs in September - November 2021, and 14 Chief Executives & 23 Heads of Economic Development in May-June 2021

¹⁴ Research Resource surveyed agricultural and residential tenants in January and February 2020. 103 respondents replied (47% response rate).

¹⁵ Research Resource surveyed tenants in January and February 2021. 53 respondents replied (38% response rate).

¹⁶ Any disposals of non-operational property between public sector bodies will be disposed of using the transfer mechanism outlined in the SPFM ([Guidelines for the Transfer of Property within the Scottish Public Sector](#)).

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.

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).	New Health & Safety (H&S) policy framework, processes, training and reporting in place. Development of strong H&S culture including monitoring of mandatory training. Assurance reporting framework. Improved incident reporting. Robust audit procedures and Director assurance process. Monitor changes in legislation and case law and action as appropriate. Internal audit recommendations implemented in new managing agents' contracts.
Investment	If there are poor investment decisions and/or insufficient funding permitted by Scottish Government, then Crown Estate Scotland might fail to deliver on the obligations established under the Act.	Liabilities increase. Loss of value and income. Failure to deliver statutory duties.	Work with Scottish Government to secure approval from Scottish Ministers on long-term statutory revenue to capital transfers.
Society	Uncertainty and ongoing change leads to loss of skills / expertise / morale.	Negative impact on team, staff well-being and overall performance.	Implement People Strategy, aligning with Fair Work principles of security, fulfilment, respect, effective voice and opportunities. Annual staff survey with subsequent action plans. Executive Team monitoring change projects and cumulative impact. Workforce plan implemented. New performance management and competency frameworks. Strong relations with recognised union, PCS.
Reputation	Loss of systems, information and business continuity results in organisational failure.	Reputational damage and loss of key business information; recovery costs.	Recommendations from independent review of IT infrastructure implemented. New IT and information policies. Up-to-date emergency response procedures in place. Additional cyber security measures implemented in 2022-23 with further measures planned for 2023-24. Ongoing testing and audit of system robustness.

Category of risk	Description	Impact	Mitigation
Society	Failure to adapt to climate change, biodiversity loss, and other biological and associated commercial impacts.	Loss of revenue, reduced capital valuation, degradation of base capital, increased liabilities, and loss of reputation.	<p>Encourage and facilitate high standards of biosecurity amongst farming tenants.</p> <p>Monitor uptake of collaborative Farm Management Agreements by finfish operators.</p> <p>Capability in place for rapid response to tree disease threats in Crown Estate Scotland woodlands.</p> <p>Ongoing programme of research and knowledge exchange.</p> <p>Proactive support of blue carbon research to inform the development of Crown Estate Scotland approach.</p> <p>Research and review how we support coastal community marine natural capital project.</p> <p>Emergency response plan in place and frequently reviewed.</p> <p>Lease terms identify responsibilities for environmental management.</p> <p>Compliance evidence and incident reporting embedded in managing agent contracts.</p> <p>Formulate framework for building monitoring of climate change and biological risks into governance.</p>
Reputation	Failure to appropriately manage offshore wind leasing.	Damage to reputation and to delivery of wider value.	<p>Active management of INTOG leasing, with stakeholder input.</p> <p>Proactively publish information on ScotWind and ensure communications reflects wider value related to supply chain.</p> <p>Ensure access to right expertise by expanding energy team and securing consultancy services as required.</p>

Market conditions

The fair value of our investment properties has increased significantly this year against a backdrop of economic uncertainty (high inflation, sluggish growth, and recession concerns). The ongoing war in Ukraine has contributed to rising energy costs (and overall inflation), as well as increasing political and regulatory focus on security of supply (including efforts to increase oil and gas production in UK waters).

The chief driver of increased value (continuing the trend of recent years) has been the development, deployment, and operation of offshore wind (OSW) projects. The value increase evident in the OSW sector is mirrored (albeit at a much lower absolute value) in the ocean energy sector – greater certainty of regulatory support (via the Contracts for Difference mechanism) has led to increased development activity.

We expect these trends to continue into the future. Our INTOG leasing programme is progressing with the recent offer of 13 exclusivity agreements to decarbonise oil and gas operations and foster innovation.

Overall rural land and property values have held up well over the last year. Demand for agricultural land remains healthy and farming revenues have been strong (with

increasing crop and livestock prices, albeit with some volatility apparent). Longer term prospects for the farming sector are increasingly complex to assess. In the short term, farming revenues may have peaked in the face of rising input prices (particularly fertilisers, animal feed and energy). Uncertainty persists surrounding future revenue support mechanisms.

Set against that, opportunities undoubtedly exist arising from market developments in biodiversity and natural capital, along with increasing interest in locally produced food.

Globally, finfish demand remains strong (and growing). Scotland remains the world's 3rd largest producer (after Norway and Chile). Our revised rental terms (which commenced January 2023) will deliver increased annual revenues for Crown Estate Scotland, currently distributed to coastal local authorities by the Scottish Government.

In the short term, we expect the current situation to continue. Longer term, the farming industry in Scotland faces several structural challenges, arising from increasing societal, operational and environmental pressures leading to regulatory changes.

Our coastal portfolio increased in value again this year although at a lower rate than previous years.

In 2022-23, revenues from ferry traffic agreements recovered and have now all-but matched their pre-pandemic levels.

The value of the property at George Street, Edinburgh, fell reflecting a softening in investor sentiment regarding commercial property, revenues from this investment however remain strong. The Executive Team is considering options for this asset.

2.2 Overview of financial performance

Table 3: Revenue and valuation 2022-23 and 2021-22

	2022-23 £m	2021-22 £m
Total gross revenue	108.4	28.4
Total net revenue	103.6	15.7
Total property valuation	653.1	568.2

We have generated £103.6m for the public purse through 2022-23 activities and are proud to make this contribution to Scotland's public spending. Over the six years to March 2023, we have generated over £160m for Scottish public spending.

Some of these funds will be redistributed to coastal local authorities who have to date been allocated a total of £39m (from our first four years of operating) to fund projects benefitting coastal communities.¹⁷

In 2020-21 we carried out a preliminary analysis of how different types of assets perform financially. The outputs (21 asset profiles) are reviewed annually. In 2022-23, we further developed our approach to identifying, tracking and reporting wider value.

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

Gross revenue

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

Table 4: Gross revenue 2022-23 and 2021-22

	Gross revenue 2022-23 £m	Gross Revenue 2021-22 £m	Notes on variances in 2022-23
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	3.8	3.8	Year on year variances include an increase in mines and minerals production related revenue. This was in part driven by the commencement of operations at the Cononish gold mine.
Coastal	4.7	4.3	Increase in revenue generated by the activities managed as part of our Coastal portfolio (including turnover revenue relating to ports & harbours, moorings, pontoons, dredging and outfalls).
Marine (Energy & Infrastructure)	92.3	13.8	The first almost full year of ScotWind option fee revenue was recognised in 2022-23. This, along with an increase in offshore wind production-based revenue driven by capacity increases, has generated the year-on-year increase.
Marine (Aquaculture)	6.3	5.5	Revenue increased mainly due to the change in terms introduced to finfish leases in January 2023.
Urban	1.3	1.0	Our urban property consists of retail and office spaces at 39-41 George St, Edinburgh. The increased income mainly reflects an increase in Service Charge revenue.
Total	108.4	28.4	

¹⁷ See: <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations/>; <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations-2020-to-2021/>; <https://www.gov.scot/publications/scottish-crown-estate-marine-revenue-allocations-2019-20/>; <https://www.gov.scot/publications/scottish-crown-estate-net-revenue-allocations-2018-2019-report-local-authority-expenditure/>; and <https://www.gov.scot/publications/scottish-crown-estate-net-revenue-allocations-2017-2018-report-local-authority-expenditure/>.

Net revenue profit

Table 5 provides a breakdown of revenue and expenditure with the previous year's figures inserted for comparison.

Table 5: Summary of revenue account 2022-23 and 2021-22

	2022-23 £m	2021-22 £m	Notes on variances in 2021-22
Gross revenue	108.4	28.4	See table above.
Direct costs	(6.5)	(5.6)	Includes increase in expensed salary costs.
Interest income	10.5	-	Increased interest generated by increase in cash balances due to ScotWind option fees, and interest rates.
Indirect costs	(5.7)	(4.9)	Increase in staff and non staff costs to reflect the growth in activities of the business.
Operating profit	106.5	17.9	
Transfers to capital account	(2.8)	(2.0)	
Depreciation	(0.3)	(0.2)	Depreciation in 2022-23 includes tangible fixed assets and, for the first time, the right of use asset (IFRS 16).
Net revenue profit	103.6	15.7	There is a step change increase in net revenue profit reflecting commencement of the ScotWind option agreements.

Asset valuation

The revenue and capital value associated with the Estate is determined in the main by the activities each asset supports. Valuation takes into account income streams and the degrees of certainty that this income will be forthcoming, assessed in relation to the type and duration of leases. Also reflected are wider market and macro-economic trends as well as risk associated with specific tenant activities. Seabed value is recognised only once an agreement is in place.

Table 6: Asset valuation 31 March 2023 and 31 March 2022

	31 March 2023 valuation £m	31 March 2022 valuation £m	Notes on variance since 31 March 2022
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	160.2	157.3	Forestry has increased in value and now totals £47.9m, reflecting demand for both the underlying land and the timber crop. Demand for rural land / properties remains strong. Crop and livestock prices remain strong but input costs have increased. The value of minerals portfolio including natural-occurring gold and silver has increased. Cononish Gold Mine is in full production.
Coastal	41.3	40.8	The value of the Coastal portfolio remained broadly static. This represents a flattening of trends seen in recent years.
Marine (Energy & Infrastructure)	376.9	314.4	Offshore wind is the most valuable part of the Scottish Crown Estate. The continued year-on-year increase in value of offshore wind has been driven by individual projects making significant progress, as well as the 20 ScotWind option agreements now in place.
Marine (Aquaculture)	66.8	46.7	Increase reflects completion of the recent review of aquaculture leasing which will result in improved returns.
Urban (39-41 George St, Edinburgh)	7.9	9.0	Although the property is fully let, investor sentiment regarding commercial property has become more pessimistic.
Total	653.1	568.2	

Capital

As at March 2023, we have built up £50.9m of capital funds for investment (after permitted transfers from revenue)¹⁸. This demonstrates the ongoing success of our 'one team' effort by staff, managing agents and other partners and suppliers.

Our investment strategy (part of our current corporate plan) sets out priority areas for ensuring capital is invested to deliver a long-term return and wider benefits, and our 2023-24 Business Plan (see Forward Look below) sets out relevant budgets.

Managing and delivering capital investment 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, urban assets and furthering development opportunities across our portfolio.

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

We are not permitted commercial borrowing and must therefore raise capital from property transactions and permitted transfers from revenue 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.

¹⁸ Section 29 of the Scottish Crown Estate Act 2019 (see <https://www.legislation.gov.uk/asp/2019/1/contents>) enables the business to make transfers from the revenue account to the capital account. The amount that could be transferred in 2022-23 was calculated as nine per cent of the previous years gross 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.

2.3 Asset performance

The Scottish Crown Estate is made up of 21 asset classes. We have identified and analysed the wider value currently generated by Crown Estate Scotland's management of those asset classes and indicated where there is potential to deliver more value.

This analysis together with financial information is compiled into a set of 'asset profiles'; the most recently published editions are found at <https://www.crownestatescotland.com/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.

Work in 2023-24 to prepare for the 2025-30 Corporate Plan

and refreshed investment strategy includes developing:

- A 10+ Year Portfolio Model;
- A new performance framework;
- Identification of opportunities related to data and digital capability; and
- A long-term plan to inform future acquisition, investment, and divestment activities.

Carbon Capture and Storage

Value at 31 Mar 2023

£0.03m

No of agreements

1



[FIND OUT MORE >](#)

Coastal Cables and Pipelines

Value at 31 Mar 2023

£4.8m

No of agreements

764



[FIND OUT MORE >](#)

Commercial Property

Value at 31 Mar 2023

£8.6m

No of agreements

32



[FIND OUT MORE >](#)

Farming

Value at 31 Mar 2023

£78.6m

No of agreements

229



[FIND OUT MORE >](#)

Finfish Farming

Value at 31 Mar 2023

£66.1m

No of agreements

286



[FIND OUT MORE >](#)

Forestry

Value at 31 Mar 2023

£48.5m

No of agreements

1



[FIND OUT MORE >](#)

Offshore Wind



Value at 31 Mar 2023

£349.3m

No of agreements

55

[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 2023, there are 35 offshore wind projects in Scotland, 7 of which are fully operational with 265 turbines and total installed capacity of 1898MW.

The operating projects have annual energy production of 4300 GWh. Three sites currently under construction will add a further 228 turbines, with total installed capacity of 2470MW when complete.

The remaining 25 sites have the potential to add tens of gigawatts and hundreds of turbines.

Marinas and Moorings

Value at 31 Mar 2023

£5.3m

No of agreements

809

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Marine Cables and Pipelines

Value at 31 Mar 2023

£27.1m

No of agreements

49

[FIND OUT MORE >](#)



Ports and Harbours



Value at 31 Mar 2023

£18.4m

No of agreements

213

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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 2023

£3.0m

No of agreements

34

[FIND OUT MORE >](#)



Other Rural

Value at 31 Mar 2023

£3.1m

No of agreements

132

[FIND OUT MORE >](#)



Other Seabed

Value at 31 Mar 2023

£12.7m

No of agreements

700

[FIND OUT MORE >](#)



Development property

Value at 31 Mar 2023

£4.0m

No of agreements

2

[FIND OUT MORE >](#)



Residential

Value at 31 Mar 2023

£10.2m

No of agreements

54

[FIND OUT MORE >](#)



Salmon Fishing Rights

Value at 31 Mar 2023

£4.7m

No of agreements

121

[FIND OUT MORE >](#)



Seaweed

Value at 31 Mar 2023

£0.02m

No of agreements

21

[FIND OUT MORE >](#)



Shellfish Farming

Value at 31 Mar 2023

£0.6m

No of agreements

273

[FIND OUT MORE >](#)



Sporting

Value at 31 Mar 2023

£7.5m

No of agreements

32

[FIND OUT MORE >](#)



Wave and Tidal

Value at 31 Mar 2023

£0.6m

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 found on our website in the Structure & Governance section.

Forward-look

Crown Estate Scotland is a self-funding public corporation and all revenue income, after operating costs and permissible transfers to the capital account, is payable to the Scottish Consolidated Fund and, ultimately, to the Scottish Government.

Some of these funds are redistributed by Scottish Government to coastal local authorities to benefit communities.

Capital must be continually reinvested in the Estate. It is essential that we have an adequate and predictable flow of capital to:

- Meet our obligations as a landlord in relation to, for example, ensuring farm buildings are fit-for-purpose and health & safety compliant;
- Invest in assets to generate future revenue for public spending;
- Invest to deliver wider social, economic, and environmental benefits (e.g. jobs flowing from energy ports investments); and
- Invest to decarbonise the estate and associated commercial activities.

Capital growth, investment and expenditure is funded from the sale of assets, our investment activities, and other transactions (for example, payments arising from offshore wind farms achieving some project milestones, dredging) as well as statutory transfers from revenue as provided for under the Act.

We are developing our financial budgeting and reporting to align with the four Crown Estate Scotland roles as set out in our corporate plan – investor, enabler, asset manager, and coordinator.

Revenue

Gross revenue for 2023-24, including anticipated £75.6m ScotWind option fees, is budgeted to be £129.9m, an increase from £101.8m last year.

This will generate an estimated £108.3m for Scottish Government's future public spending.

Total costs include maintenance, repairs, managing agents and other expenditure property-related expenditure, as well as costs associated with running the organisation including staffing. These costs will increasingly include asset replacement, decarbonisation, and investment in enhancing biodiversity.

The 2023-24 revenue budget includes:

- Gross revenue of £75.6m from ScotWind option fees;
- A further c. £10m increase in net revenue from existing offshore wind developments (i.e. projects that precede ScotWind);
- Total costs increasing from last year's budgeted £12.2m to £18.4m as we continue to invest in the assets and build our team; and
- £3m for enabling activities, some joint-funded with Scottish Government, to further sustainable development. These include costs associated with the Forth District Salmon Fisheries Board local management pilot and our Sustainable Communities Fund.

As our activity expands, we have enhanced productivity and efficiency by digitising more business processes, re-tendering key contracts and investing in staff development.

We are also creating new jobs in investment and asset management, sustainability, engagement, and new ways for communities to own or manage land.

Capital

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 stable long-term capital funding to maintain the Estate and to invest in assets and activities that generate income as well as wider social and environmental value.

For 2023-24, we have allocated up to £23m for capital investment (cf. 2022-23 budget of £17.6m) covering acquisitions as well as other expenditure. Receipts are expected to total £19.2m (up from £5m budgeted last year), giving a net capital investment of £3.8m.

The capital budget for 2023-24 includes:

- Potential new acquisitions that align with our investment strategy;
- Staff costs for some offshore energy and property development roles;
- Capital receipts from farm and other anticipated property sales;
- Our capital investment challenge funds, with £1.5m expected to be committed in 2023-24. These funds

will support investment opportunities in boat-based tourism, natural resources, and local partnerships;

- Development costs relating to Whitehill Estate in Midlothian, Mosstodloch in Moray, and ZeroFour near Montrose; and

- £5.8m capital improvement expenditure on the four rural estates.

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 2023, Crown Estate Scotland had 71.5 FTE staff (more detail is in section 3.4), up from 62 FTE in 2022. Our current business model is based on a small core team with support from managing agents. This provides flexibility and access to a wide range of expertise while helping us manage costs.

Activity to support and develop our staff included:

- Working with staff and the recognised trade union to develop a flexible approach to hybrid working which balances the requirements of teams and individuals, with guidance launched in November 2022;
- Launching a new recruitment policy and process to support enhancing diversity;
- Building our digital learning and development offering for staff, including providing line management training, access to a suite of online learning resources, and a series of sessions with external speakers who share their expertise and insights with colleagues;
- Continuing to deliver our Wellbeing Matters programme, covering financial, mental, social, and physical health and wellbeing support for staff;
- Delivery of our People Strategy in alignment with our 2020-23 Corporate Plan;
- Sessions to build stronger teams and enhance organisational culture;
- Delivery of our Strategic Workforce Plan, including investing in building the capacity of our team in offshore renewables, built development and regional engagement; and
- Maintaining our Living Wage employer accreditation.

Two new non-executives were appointed by Scottish Ministers in early 2022-23. They bring further expertise in financial and asset management, and community engagement.

In March 2022, a Board intern joined us for nine months (succeeding another intern who earlier joined in 2021-22).

This intern role provides the opportunity to learn about land and property in Scotland, and about the work of a public sector board, to help build career experience.

Bringing different voices and perspectives into the organisation is part of our wider work in diversity and inclusion. In 2021-22 we developed our first Equality, Diversity, and Inclusion plan covering corporate activity and how the assets in our care are managed.¹⁹ An update on delivery against this plan is in section 3.4.

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 to and management of H&S.

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

In 2022-23 our new H&S advisors started work on a new H&S Management System and on revising our H&S Management and Operational Procedures. At the end of the financial year the H&S advisors prepared a report on H&S which was submitted to the Audit & Risk Committee (ARC) as part of our annual assurance process.

We started work on forming an in-house H&S Working Group that will drive forward, from the client side, the introduction of the new H&S Management System, and develop and manage a programme of H&S activities as directed by the H&S Committee.

We are also working to implement key findings from our internal auditor's H&S Report to ARC in spring 2023.

The H&S Committee has identified areas of improvement and are working with our advisors to support delivery of these identified areas. These include development of H&S Competency Matrix, proactively undertaking stress risk

¹⁹ See <https://www.crownestatescotland.com/sites/default/files/2023-07/equality-diversity-and-inclusion-plan.pdf>

assessments and exploring the introduction of mental health first aiders.

H&S e-learning courses for all staff require to be completed annually, with completion rates monitored.

Table 7 shows recorded accidents and near misses related to staff in 2022-23 compared to 2021-22. In 2022-23 the number of near misses increased which can be explained both by a return to the workplace after COVID-19 lockdowns and a focus on reminding staff of the importance of reporting. Of the two accidents in 2022-23, both were minor, but one did require a total of 3 days off work.

There were no RIDDOR reportable staff accidents or incidents in the 12 months to 31 March 2023.

Table 7: Staff accidents & near misses in 2022-23 and 2021-22

	2022-23	2021-22
Near misses	5	0
Accidents	2	2

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”); and
- Data Protection Act 2018.

Crown Estate Scotland operates the Scottish Public Sector Ombudsman’s model complaints handling procedure.

Table 8: FOISA and EIR requests and responses 2022-23 and 2021-22

	2022-23	2021-22
Requests for information received	51	46
Requests for information responded to	51	44
Percentage of requests responded to within 20 working days (or within 40 days for a complex EIR request)	96%	98%
Average response time (working days)	13	12
Number of reviews carried out	1	3
Number of cases appealed to the Scottish Information Commissioner	0	0
Decisions issued by the Scottish Information Commissioner	0	0

* Information subject to change given statutory limits for reviews and appeals are ongoing into 2023-24. Figures as of 31 March 2023.

There were three late responses (compared to one in 2021-22)

which were due to challenges with records management. We will continue to promote awareness through training to staff to try and minimise late responses (see section “Training” below).

Appeals

We received one request to review the way we had responded to an information request. The review resulted in copies of documents being provided rather than a summary of those documents.

Cases appealed to the Scottish Information Commissioner and Decision Notices Issued

We received no notification of appeals having been made to the Scottish Information Commissioner during the period of this report.

Training

Training on FOISA and on data protection is given as part of the induction process for new staff. Refresher training on FOISA was delivered to staff during the year and offered to our managing agents. Staff are required to complete annual training on cyber security and data protection and regular updates are issued throughout the year.

Complaints

In 2022-23, we received two complaints, nine less than in 2021-22. We will be delivering refresher training on complaints handling to all staff and our managing agents during 2023-24. We intend to look at how we capture information on complaints to ensure that we are doing so accurately.

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.

In May 2021, following the completion of the Value Project which identified and analysed wider value, a suite of 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, updated in 2022, 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 our decision-making tools, are used

by staff to identify and collate comprehensive data to inform and then monitor the impact of investment decisions.

In 2022-23 we started the next phase of the Value Project, aimed at developing a systematic way of embedding wider value reporting. We will update on this work in our 2023-24 Annual Report & Accounts.

2.4.5 Environmental sustainability

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

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

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

We are working to implement our Climate Change Action Plan²⁰, 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.

Key progress in 2022-23 was the finalisation and internal launch of our Green Travel and Office Plan to ensure we are reducing our environmental impact. Across our two offices we aim to reduce consumption of resources such as electricity, office supplies, and water.

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 actions taken to meet our biodiversity duty are detailed in our first [Biodiversity Duty Report](#). Our second report is due in 2023-24.

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

Over the last three years, our Environment Grants scheme, part of the Sustainable Communities Fund, has awarded over £320,000 to tenants for projects delivering a range of environmental benefits. Projects include removal of invasive and non-native species; planting to support biodiversity including hedgerows, wild flower meadows and seagrass; reed bed enhancement; installation of EV chargers; education boards; and provision of materials to support community beach cleans.

We were delighted to support the establishment and launch of the Scottish Marine Environmental Enhancement Fund, working in partnership with NatureScot and the Marine Directorate of the Scottish Government. The fund provides an opportunity for users of Scotland's marine environment to make voluntary donations for projects delivering marine restoration and enhancement. Throughout 2022-23 we continued to support the fund through the provision of funding and expert input to the steering group.

We have worked to tackle litter and refuse in accordance with our duties under the Code of Practice for Litter and Refuse (COPLAR). At Glenlivet, staff have undertaken regular litter picks to remove litter reported through weekly checks. Generally only small amounts of litter were reported, but on one occasion fly tipped fencing materials were removed by staff.

Other work included supporting marine litter education and citizen science projects by Keep Scotland Beautiful and Marine Conservation Society.

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 current plan would have no significant negative impact on the environment, instead it should generate largely positive environmental effects.

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

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

These assessments and screening exercises shaped our current corporate plan. All documents related to these assessments can be found on our website.

20 <https://www.crownestatescotland.com/news/our-plan-to-tackle-emissions-and-adapt-to-climate-change>

Table 9: Recycling and waste in kilograms

	Glenlivet recycling	Glenlivet residual	Edinburgh recycling	Edinburgh residual
2021-22	55.5	60	n/a	n/a
2022-23	35.5	21	704.2	312.5

Office operations

A recording system for waste and recycling was put in place at our Edinburgh office from April 2022. The waste data captured during this financial year will form a reliable baseline for future reporting.

At Glenlivet, all residual waste was sent to landfill. 100% of recyclable waste was recycled. At Edinburgh, no waste was sent to landfill. The majority (>90%) was recycled with the remainder converted to refuse derived fuel.

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

With many staff now blending office and home working, there is an associated reduction in commuting.

We will also aim to reduce business travel and 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.



Ronan O'Hara
Chief Executive
Crown Estate Scotland

06 December 2023

3. GOVERNANCE

3. Governance

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

3.1 Members' Report

As at 31 March 2023 the membership of the Board was as follows:

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

Crown Estate Scotland has a non-executive Board, which is supported by ARC, an Investment Committee and a Remuneration 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.

Amanda Bryan's period of appointment as Chair was extended to allow for the completion of the process to appoint her successor. Euan McVicar was appointed Chair by Scottish Ministers for a period of three years, with effect from 1 July 2023. Andrew Macdonald and Alister Steele stood down from the Board on 30 April 2022 at the end of the term of their appointments. Liz Leonard and Jean Lindsay were reappointed by Scottish Ministers for a further period of three years with effect from 1 May 2022. Ann Allen took a sabbatical from the Board in the six months to 31 March 2023. During that time she was not engaged in any Crown Estate Scotland business and did not receive a fee.

Following an internal self-assessment of Board skills and a review of the succession plan for the Board, a request was made to Scottish Ministers to reappoint Michael Foxley for a further period of one year. Dr Foxley was reappointed by Scottish Ministers for a further period of one year.

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

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 2022 to 31 March 2023, the Board held five formal meetings and five additional sessions, met stakeholders, received presentations to inform the development of the next corporate plan and the organisation's Vision 2050. Agendas, minutes and papers from Board meetings are available at www.crownestatescotland.com 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 at www.crownestatescotland.com in the Structure & Governance section.

A Framework Document for Crown Estate Scotland was drawn up by the sponsor directorate, the Marine Directorate of the Scottish Government, and came into effect on 1 April

2020. The Framework Document sets out the broad structure within which Crown Estate Scotland is to operate and the roles of the Chair, the Board, and the Chief Executive and Accountable Officer.

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

Board meetings during the financial year reviewed Crown Estate Scotland's operational and financial performance compared to plan, business strategy and risk management as well as high level review and scrutiny of H&S issues.

Crown Estate Scotland maintains an active and ongoing dialogue at all levels within 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 and other officers also meet Scottish Government officials on a regular 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, financial management and people matters are also submitted to the Board. The Board has delegated in-depth scrutiny of certain areas of activity to ARC and oversight and scrutiny 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 internal delegated authority for the organisation with ARC having oversight of the operation of that delegated authority.

A Remuneration Committee was established by the Board in June 2022 to provide advice to the Chief Executive on the parameters for negotiation with the recognised trade union, PCS, in relation to the implementation of Scottish Government Pay Policy. The Committee, chaired by Jean Lindsay, met four times during the year.

A nine-month internship was offered during the year to a young person affording them the opportunity to attend all Board meetings, formal and informal, and committee meetings. This was the second such internship and further opportunities will be offered in 2023-24 and will be remunerated.

3.2 Statement of Accountable Officer's Responsibilities

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

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe 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 Report and Accounts 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 Principal 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.

As far as I am aware, the annual report and accounts as a whole are fair, balanced and understandable. I confirm that I take responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

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, I am personally responsible for the duties specifically assigned to me including:

- Ensuring the propriety and regularity of Crown Estate Scotland's finances and that there are sound and effective arrangements for internal control and risk management;
- Ensuring that the resources of Crown Estate Scotland are used economically, efficiently and effectively and that appropriate arrangements are in place to secure best value for the organisation and to deliver value for money for the public sector as a whole;
- Ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual (SPFM);
- Signing the annual accounts and associated governance statements; and
- Obtaining written authority from the Chair/Board before taking any action which is considered 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; and
- Assurance that there is a fully empowered Accountable Officer within Crown Estate Scotland, able to maximise productivity within a robust strategic framework.

3.3.2 Audit & Risk Committee

ARC is chaired by Robert Mackenzie, a non-executive member with a business advisory and accountancy background and extensive public sector advisory and risk experience. Katerina Brown, Michael Foxley, Jean Lindsay, and Euan McVicar were the other non-executive members who served on ARC during the financial year. ARC maintains oversight of internal and external audit, financial, risk and governance performance and H&S. ARC operates independently and reports to the Board.

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

3.3.3 Board & 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 Marine Director of the Scottish Government.

Induction and training are provided for non-executive Board members and they are encouraged to participate in training offered by the Scottish Public Bodies Unit and by the organisation through its e-learning platform. Training is offered to all members to develop their skills and support their contribution to the work of the Board. Members participated in a training session facilitated by the Standards Commission for Scotland in November 2022.

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.

Table 10: 2022-23 Board and Committee attendance (not subject to audit)

	Board	Audit & Risk Committee	Investment Committee	Remuneration Committee
Total meetings in year	5	4	4	4
Board Member	Meetings held in membership period/ (Meetings attended during membership period)			
Amanda Bryan (Chair)	5(4)	-	-	-
Ann Allen*	5(1)	-	2(2)	-
Katerina Brown**	4(3)	3(1)	-	4(2)
Michael Foxley	5(5)	1(1)	4(4)	-
Liz Leonard	5(5)	-	4(4)	-
Jean Lindsay	5(3)	3(3)	-	4(4)
Andrew MacDonald***	-	-	-	-
Robert Mackenzie	5(5)	4(4)	-	4(4)
Euan McVicar	5(5)	1(1)	4(4)	-
Ailsa Raeburn**	4(3)	-	4(4)	-
Alister Steele***	-	-	-	-

* On sabbatical from 15 September 2022 – 31 March 2023

** Appointed to the Board on 1 June 2022.

*** Stood down on 30 April 2022. No meetings were held during April 2022

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.

Except as set out in the paragraph immediately below, 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.

The SPFM contains provisions relating to the procurement, management, and monitoring of the delivery of major investment projects. Following the establishment of a Project Management Office in October 2022, Crown Estate Scotland commenced a review of project governance and identified that there were areas where reporting or monitoring might not be in full compliance with relevant provisions of the SPFM. A consultant was appointed to conduct a gateway review of the Montrose ZeroFour project with the report being received in May 2023. The report identified several areas of project governance and reporting which required attention and an action plan has been prepared to implement the recommendations of the report to ensure future compliance with the SPFM for all relevant projects.

We published our procurement strategy for the period 2020-23 in 2022 and have supplemented that with an internal policy to support delivery of the strategy. We have established a network of procurement champions across the business to provide peer support and enhance procurement capacity in the organisation. We continue to utilise government frameworks available to us to ensure we achieve value for money. Our first annual procurement report was published in November 2022 and is available on our website.

3.3.5 Risk and internal control framework

As at 31 March 2023, 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:

- The treatment of scotwind option fee income and subsequent cash transfer to scottish government;
- Reviewing the performance of specific investments
- Continuing to strengthen cyber resilience and achieving recertification of cyber essentials plus certification;
- Building resilience and additional capacity within the workforce; and
- Management of H&S.

3.3.7 Internal Audit

RSM UK Risk Assurance Services LLP, were appointed as internal auditors by Crown Estate Scotland on 1 February 2020. The contract for the provision of internal audit services was re-tendered during the year and, following a competitive process, BDO LLP were appointed as internal auditors with effect from 1 April 2023.

The internal auditors 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.

Eight audits were undertaken by RSM UK Risk Assurance Services LLP. These covered Governance: Disclosure Reporting and Workforce Engagement (reasonable assurance);

Governance: Diagnostic Document Review and Code Compliance Assessment (advisory review); Health & Safety (partial assurance); Contract Management – Managing Agents (substantial assurance); Key Financial Controls (substantial assurance); Follow Up (good progress); Management of Non-standard agreements (substantial assurance); and Human Resources (reasonable assurance). The internal audit opinion issued by RSM UK Risk Assurance Services LLP to ARC on 16 June 2023 gives the following positive and above the line internal audit opinion:

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

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

3.3.8 External Audit

The Auditor General for Scotland is responsible to the Scottish Parliament for securing the audit of the financial statements of Crown Estate Scotland. Audit Scotland was appointed by the Auditor General for Scotland as the external auditors for Crown Estate Scotland for the year ended 31 March 2023.

3.3.9 Personal Data Related Incidents

Crown Estate Scotland had no significant or reportable data-related incidents during 2022-23.

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 at www.crownestatescotland.com/corporate/reporting

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.



Ronan O'Hara

Chief Executive and Accountable Officer
Crown Estate Scotland

06 December 2023

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 2022-23 we received a Pay Claim from PCS on behalf of staff. Following negotiations we implemented our pay award in December 2022, backdating to an award date of 1 April 2022. This award was in line with guidance provided within the Scottish Government Pay Policy for 2022-23. A Remuneration Committee was established by the Board in June 2022 to provide advice to the Chief Executive on the parameters for negotiation with PCS in relation to the implementation of Scottish Government Pay Policy.

Service Contracts

Our staff are crown servants. 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.

Remuneration of the Board

Board members are appointed by the Scottish Ministers in accordance with the Crown Estate Scotland Order 2017 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. Fees are determined by the Scottish Government and the remuneration borne by Crown Estate Scotland.

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

	Fees £'000		Benefits in kind £(nearest 100)		Total £'000	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Amanda Bryan (Non-executive member, Chair of the Board)	20-25	15-20	2,800	400	25-30	15-20
Ann Allen (Non-executive member, Chair of the Investment Committee until September 2022) * / ****	0-5	0-5	-	100	0-5	0-5
Katerina Brown (Non-executive member)**	0-5	-	-	-	0-5	-
Dr Michael Foxley (Non-executive member)	5-10	5-10	400	-	5-10	5-10
Liz Leonard (Non-executive member)	5-10	5-10	300	-	5-10	5-10
Jean Lindsay (Non-executive member)	5-10	5-10	200	-	5-10	5-10
Andrew MacDonald (Non-executive member)***	0-5	5-10	-	-	0-5	5-10
Robert Mackenzie (Non-executive member, Chair of the Audit & Risk Committee)	5-10	5-10	400	-	5-10	5-10
Euan McVicar (Non-executive member, Chair of Investment Committee from September 2022) ****	5-10	0-5	-	-	5-10	0-5
Richard Morris (Non-executive member) *****	-	0-5	-	-	-	0-5
Ailsa Raeburn (Non-executive member)**	0-5	-	900	-	0-5	-
Alister Steele MBE (Non-executive member)***	0-5	5-10	-	-	0-5	5-10

* on sabbatical between 15 September 2022 & 31 March 2023;

** appointed on 1 June 2022;

*** stepped down on 30 April 2022;

**** appointed on 28 June 2021;

***** stepped down 30 April 2021.

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.

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 resigned as Chief Executive and Accountable Officer on 15 August 2022. Ronan O'Hara has been Chief Executive and Accountable Officer since 8 September 2022.

	Salary £'000		Pension Benefits ²¹ £'000		Other Remuneration £'000		Total £'000	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Simon Hodge Chief Executive until 15 August 2022 ²²	40-45 (115-120 FTE)	110-115	- ²³	41	-	-	40-45	151-156
Ronan O'Hara Chief Executive from 8 September 2022 ¹⁹	60-65 (110-115 FTE)	-	25	-	3 ²⁴	-	90-95	-
Esther Black Director of Operations	75-80 (90-95 FTE)	70-75 (85-90 FTE)	35	33	-	-	110-115	100-105
Oster Milambo Director of Property from 15 September 2021 ¹⁹	90-95	45-50 (85-90 FTE)	36	19	-	-	125-130	65-70
Alastair Milloy Director of Finance and Business Services	90-95	85-90	36	34	-	-	125-130	120-125
Colin Palmer Director of Marine	90-95	90-95	37	35	-	-	130-135	125-130
Andrew Wells Director of Property until 31 August 2021, and Investment Sales and Programme Director from 31 August 2021 to 31 August 2022 ²⁵	20-25 (90-95 FTE)	60-65 (85-90 FTE)	- ²⁰	18	-	-	20-25	80-85

21 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.

22 FTE salary presented reflects full year salary.

23 Increase in pension due to extra service was not sufficient to offset the inflation increase, therefore in real terms the pension value has reduced, this is presented as nil above.

24 Relocation expenses

25 The role of Investment Sales and Programme Director, held from 31 August 2021 to 31 August 2022, is not part of the Crown Estate Scotland Executive Team. Full remuneration for the year has been disclosed. FTE salary presented reflects what would have been paid if the role had been full time for the full year.

	Accrued pension at pension age as at 31.03.23 £'000	Real increase in pension and related lump sum at pension age £'000 2022-23	CETV at 31.03.23 £'000	CETV at 31.03.22 £'000	Real increase in CETV £'000 2022-23
Simon Hodge	60-65 plus a lump sum of 145-150	0 plus a lump sum of 0	1465	1406 ²⁶	(30)
Ronan O'Hara	0-5	0-2.5	18	-	13
Esther Black	10-15	0-2.5	130	100	14
Oster Milambo	0-5	0-2.5	37	12	17
Alastair Milloy	5-10	0-2.5	86	55	21
Colin Palmer	5-10	0-2.5	92	67	15
Andrew Wells	35-40 plus a lump sum of 100-105	0 plus a lump sum of 0	845	839	(32)

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 at present 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, and a pre-devolution legacy medical insurance benefit provided to a small number of employees. This benefit ends in 31 March 2024.

Exit packages (subject to audit opinion)

There were no exit packages agreed or paid during the financial year (2021-22: one with a value of £15-20k).

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.

From 1 April 2022 we have two categories of pension provision. These are:

- The alpha scheme, 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); or

²⁶ Value updated from published 2021-22 accounts due to retrospective update to salary data.

- 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.

Prior to 1 April 2022 there was a third category of pension provision, the Principal Civil Service Pension Scheme (PCSPS). It had four sections: three 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. The final Crown Estate Scotland PCSPS members tapered from PCSPS onto alpha on 1 April 2022.

The alpha scheme is a statutory arrangement which is unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under alpha are increased annually in line with Pensions Increase legislation. Employee contributions are salary-related and range between 4.6% and 8.05% for members of alpha.

Employer contributions were payable at one of four rates ranging from 26.6% to 30.3% (2021-22: 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. alpha is an unfunded multi-employer defined benefit schemes. As a result we are unable to identify our share of the underlying assets or liabilities.

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

For 2022-23, employer's contributions of £1.0m (2021-22: £0.8m) were paid to the PCSPS and other pension providers. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Fair Pay Disclosure (*subject to audit opinion*)

	2022-23 Value	2021-22 Value
Band of highest paid employee's total remuneration £'000	110-115	110-115
Remuneration range £'000	23-115	20-115
Median total remuneration £	50,939	48,513
Median pay ratio	2.21	2.32
25th percentile remuneration £	41,321	39,354
25th percentile pay ratio	2.72	2.86
75th percentile remuneration £	69,241	68,724
75th percentile pay ratio	1.62	1.64

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

Total remuneration includes salary and non cash benefits only. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. 25th, 75th and median remuneration excludes the highest paid employee.

The median and 25th percentile remuneration have both increased 5% year on year. This is due to the impact of annual salary increases implemented during the year. The majority of new roles that have been created in the year were between the 50th and 75th percentile, which has reduced the 75th percentile pay ratio. The average mean increase in staff remuneration was 1%. Factors affecting this average include changes in distribution of staff numbers both across and within pay bands, arising from length of service, staff turnover and new roles. The 1.5% increase in the remuneration of the highest paid director is based on FTE salary for the director and includes actual relocation expenses paid during 2022-23.

Staff Report

As at 31 March 2023 there were 73 staff in post and nine non-executive members. The split by seniority and gender is detailed below for the total number of persons employed, and by the average number of full-time equivalent persons employed.

Staff Numbers and Gender Composition (*subject to audit opinion*)

	Head Count 31 March 2023		Head Count 31 March 2022		Permanent Staff FTE 31 March 2023		Permanent Staff FTE 31 March 2022	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	3	6	5	4	n/a	n/a	n/a	n/a
Senior Management	4	1	4	1	4	1	4	1
Other Staff	27	41	27	32	27	40	26	31

Gender composition figures are based on available information. We do not currently hold gender data on all staff and non-executives.

Permanent staff includes staff employed or seconded to Crown Estate Scotland 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 2023 (0 at 31 March 2022).

Staff turnover was 11.7% in 2022-23, of which 37.5% related to the ending of fixed term contracts. This is compared to 15.3% in 2021-22, of which 33% related to the ending of fixed term contracts.

Trade Union Disclosure

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The

regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. This data is published [here](#) on our website.

In summary, the total number of employees who were relevant union officials in the period to 31 March 2023 was one. The employees spent 1-50% of their working hours on facility time, which equated to a cost of 0.02% of the total wage bill of £5.1m. 100% of the time spent on trade union activities was paid time.

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

Staff Costs (*subject to audit opinion*)

	2022-23 £m	2021-22 £m
Wages and salaries	3.6	3.1
Social security costs	0.5	0.4
Other pension costs	1.0	0.8
Total costs	5.1	4.3

Sickness Absence Data

Our level of sickness absence for 2022-23 was 4.2 average working days lost per employee (AWDL) (cf. 2021-22 3.9). Adjusting for incidences of long-term sickness the average number of days lost per employee was 1.7 days (cf. 2021-22 1.8 days).

Staff Policies

We are committed to eliminating discrimination and encouraging equality, diversity and inclusion 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.

In January 2022 we published our first Equality, Diversity & Inclusion (EDI) Plan²⁷. The commitments in the plan cover a range of activities, supports meeting our general Public Sector Quality Duty, and reflect feedback from staff as well as independent input from academics at Glasgow Caledonian University.

Up to March 2023, we:

- Established a new recruitment module which enables candidate data collection to help identify if we are not attracting a diverse range of people.

- Gathered baseline workforce data (with supporting materials including a glossary of terms) and incorporated the data request into the onboarding process. We recognise that the more data we have the better we can monitor progress on improving EDI.
- Established an EDI representative on the Health and Safety Committee.
- Raised awareness of EDI and how to develop good working practices through training.
- Sourced and secured further training to take place early 2023-24. This includes an active allyship and anti-racism workshop delivered under a new partnership with CEMVO Scotland plus training for directors and our Chief Executive on inclusive leadership.
- Funded a care-experienced individual through the 2050 Climate Group's Young Leader Development Programme.
- Established a new award for organisations demonstrating excellence in embedding diversity into net zero and Just Transition activity. This award will launch in 2023-24.
- Updated Crown Estate Scotland brand guidelines to include diversity so that our materials feature diverse groups and communities and are accessible.
- Developed and funded an annual Scottish Council for Development & Industry STEM education programme that targets schools in deprived areas and ensures diverse cohorts of pupils.
- Supported Full Circle 21 which aims to encourage diversity in net zero sectors.
- Established a children and young people's group – which group members have named the Crown Estate Scotland Future Forum – to enable the younger generation to inform our work.
- Embedded EDI into our regulated procurement process.
- Embedded EDI including Equalities Impact Assessment into our new policy development process.

Our latest staff survey, conducted in March 2022, shows that 78% staff believe that Crown Estate Scotland is committed to creating a diverse culture. This compares to 43% agreeing with a similar statement in the 2020-21 survey. Our next staff survey is in summer 2023.

One area that we are particularly focussed on is encouraging employees to provide relevant data through our HR system. We issue frequent internal communications relating to the confidentiality of the data held and raising awareness of the importance of workforce data in informing our EDI activity. We designed the disclosure function carefully to ensure that self-completion is easy and quick to do. All new starts are encouraged to disclose at induction stage.

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

27 See <https://www.crownestatescotland.com/sites/default/files/2023-07/equality-diversity-and-inclusion-plan.pdf>

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

I have audited the financial statements in the annual report and accounts of Crown Estate Scotland for the year ended 31 March 2023 under the Scottish Crown Estate Act 2019. The financial statements comprise the Statements of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Capital and Reserves and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Scottish Crown Estate Act 2019 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the

Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- using my understanding of the central government sector to identify that the Scottish Crown Estate Act 2019 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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 my 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 my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my 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 my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am 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 parts of the Remuneration and Staff Report

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

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material

misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my 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 I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Louisa Yule
Audit Scotland

4th Floor,
The Athenaeum Building,
8 Nelson Mandela Place,
Glasgow, G2 1BT

06 December 2023

4.2 Statements of comprehensive income

For the year ended 31 March 2023

Revenue account

	Note	2022-23 £m	2021-22 £m
Revenue	6	108.4	28.4
Costs	7	(12.2)	(10.5)
Operating profit		96.2	17.9
Investment income	10	10.5	-
Net operating profit before depreciation, and capital transfer agreements		106.7	17.9
Depreciation of right of use asset	20	(0.1)	-
Depreciation of tangible fixed assets	18	(0.2)	(0.2)
Net operating profit before capital transfer agreements		106.4	17.7
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 by capital transfer agreement	11	(2.4)	(1.8)
Other capital transfer agreements	11	(0.4)	(0.2)
Net consolidated revenue account profit		103.6	15.7
Statement of comprehensive income of the revenue account			
Net revenue account profit – distributable to the Scottish Government Consolidated Fund		103.6	15.7
Total comprehensive revenue account profit		103.6	15.7

Capital account

	Note	2022-23 £m	2021-22 £m
Revenue	6	0.3	0.2
Charge from revenue for salary costs	9	(0.5)	(1.1)
Net revaluation gains in property and investments (including profit/(loss) on disposal)	12	85.6	110.4
Capital profit before capital transfer agreements		85.4	109.5
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 by capital transfer agreement	11	2.4	1.8
Other capital transfer agreements	11	0.4	0.2
Net capital account profit		88.2	111.5
Statement of comprehensive income of the capital account			
Net capital account profit		88.2	111.5
Total comprehensive capital account profit		88.2	111.5

4.3 Statement of financial position

As at 31 March 2023

	Note	2022-23 £m	2021-22 £m
Assets			
Non-current assets			
Investment properties	15	653.0	568.1
Owner occupied property	16	0.1	0.1
Plant and equipment	18	0.5	0.7
Right of use asset	20	0.9	-
Receivables due after one year	19	6.7	5.9
Total non-current assets		661.2	574.8
Current Assets			
Trade and other receivables	21	24.0	13.6
Cash and cash equivalents	22	721.9	48.7
Total current assets		745.9	62.3
Total assets		1,407.1	637.1
Liabilities			
Current Liabilities			
Payables – amounts falling due within one year	23	83.5	18.2
Lease liability – amounts falling due within one year	24	0.1	-
Total current liabilities		83.6	18.2
Payables – amounts falling due after more than one year	23	628.8	13.1
Lease liability – amounts falling due after more than one year	24	0.9	-
Total non current liabilities		629.7	13.1
Total liabilities		713.3	31.3
Net assets		693.8	605.8
Capital and reserves			
Capital reserve		694.0	605.8
Revenue reserve		(0.2)	-
Revaluation reserve		-	-
Total capital and reserves		693.8	605.8

The Notes to the Accounts, numbered 1 to 30, form an integral part of these Accounts. The Accountable Officer authorised these financial statements for issue on 06 December 2023.



Ronan O'Hara
Chief Executive and Accountable Officer
Crown Estate Scotland
06 December 2023

4.4 Cash Flow Statement

For the year ended 31 March 2023

	Note	2022-23 £m	2021-22 £m
Cash generated from operating activities			
Net operating profit – consolidated revenue account		106.4	17.7
(Increase) / decrease in receivables		(3.8)	(0.5)
Increase / (decrease) in payables		690.7	7.8
(Increase) / decrease in provisions		-	-
Depreciation and impairment		0.2	0.2
Net cash flow from operating activities		793.5	25.2
Cash flows from investing activities			
Capital expenditure on investment properties		(2.8)	(5.7)
Proceeds from disposal of investment properties		1.8	1.0
Purchase of investment properties		-	(0.1)
Purchase of plant and equipment		(0.1)	(0.1)
Other capital receipts		1.5	2.0
Net cash flow from investing activities		0.4	(2.9)
Cash flows from financing activities			
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents before Scottish Government Consolidated Fund payment		793.9	22.3
Scottish Government Consolidated Fund payment		(120.7)	(13.5)
Increase in cash in the year after Scottish Government Consolidated Fund payment		673.2	8.8
Cash and cash equivalents at start of the year		48.7	39.9
Cash and cash equivalents at end of the year	22	721.9	48.7

4.5 Statement of changes in capital and reserves

For the year ended 31 March 2023

	Note	Revenue Account		Capital Account		Total
		Revenue reserve available for distribution to the Scottish Government Consolidated Fund £m	Revenue relating to IFRS 16 £m	Capital Reserve £m	Revaluation Reserve £m	£m
As at 1 April 2022		-	-	605.8	-	605.8
Net profit for the financial year		103.6	-	88.2	-	191.8
Introduction of capital		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Revaluation deficit of owner occupied properties		-	-	-	-	-
Total comprehensive profit for the year ended 31 March 2023		103.6		88.2	-	191.8
Movement due to IFRS 16		-	(0.2)	-	-	(0.2)
Due to the Scottish Government Consolidated Fund – paid in year	14	(111.0)	-	-	-	(111.0)
Due to the Scottish Government Consolidated Fund – advance payment made in year	14	7.4	-	-	-	7.4
As at 31 March 2023		-	(0.2)	694.0	-	693.8

4.6 Notes to the financial statements

1. Basis of preparation

These financial statements have been prepared on a going concern and an accruals basis under the historic cost convention, modified to include investment properties, owner occupied properties and other investments at fair value. They are prepared in accordance with section 34 of the Scottish Crown Estate Act 2019. These accounts have been prepared in compliance with the principles and disclosure requirements of the HM Treasury Financial Reporting Manual (FReM), which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) as adopted by the United Kingdom and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The accounts will, so far as appropriate, comply with the SPFM and the accounts 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 His Majesty and His 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). The Ministerial Direction this transfer is made under is set out in Appendix 2.

To meet the requirements of the Scottish Crown Estate Act 2019, the movements in comprehensive income are analysed between revenue and capital accounts. The capital account includes profits or losses arising on the sale of investment properties, the realisation of revaluation gains, the income arising on the grant of operating leases over land in exchange for a premium, the charge from revenue for salary costs, and the transfers between the capital and revenue account as required by capital transfer agreements.

Ministerial Direction

The Scottish Crown Estate Act 2019 (Section 29) allows adjustments between revenue and capital specifically for the purposes of recouping capital expenditure out of revenue. As Crown Estate Scotland is restricted in its ability to borrow, capital transfer agreements provide Crown Estate Scotland with a reliable and predictable source of capital. By agreement with the Scottish Ministers (see the Ministerial Direction in Appendix 2), the mechanism by which the revenue account is charged is calculated as an amount equivalent to 9% of the previous year's gross revenue and after taking into account depreciation of plant and equipment.

Changes in accounting policies in year

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. IFRS16 has been adopted during the financial year.

Events after the reporting period

No adjusting events have occurred between the 31 March reporting date and the date of authorisation. As at 30 November 2023 twelve INTOG Exclusivity agreements had been signed. This has no impact on the reported results.

2. Significant accounting policies

2a. Properties

Properties are valued by independent external valuers at the balance sheet date. The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book.

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. Leasing

IFRS 16 "Leases" has been implemented from 1 April 2022; this introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions included below).

For government bodies reporting under the FReM, IFRS 16 has been brought into effect on 1 April 2022 and replaces IAS 17 (Leases).

In respect of lessees, IFRS 16 removes the distinction between operating and finance leases and introduces a single accounting model that requires a lessee to recognise ('right of use') assets and lease liabilities.

The definition of a lease has been updated under IFRS 16, there is more emphasis on being able to control the use of an asset identified in a contract. There are new requirements for variable lease payments such as the Retail Price Index (RPI)/ Consumer Price Index (CPI) uplifts; and there is an accounting policy choice allowable to separate non lease components.

Implementation and assumptions

Crown Estate Scotland has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". The cumulative effect of adopting IFRS 16 is included as an adjustment to reserves at the beginning of the current period. IAS 17 operating leases are included within the Statement of Financial Position as a lease liability and right of use asset for the first time.

The option to reassess whether a contract is, or contains, a lease at the date of initial application has not been used, the group has used the practical expedient detailed in IFRS 16(C3).1.

Crown Estate Scotland has elected not to recognise right of use assets and lease liabilities for low value assets.

Previous treatment

Assets previously held as operating leases were not recognised in the Statement of Financial Position. Payments were recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

Policy applicable from 1 April 2022

At inception of a contract, Crown Estate Scotland assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control

the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Crown Estate Scotland assesses whether:

- the contract involves the use of an identified asset;
- Crown Estate Scotland have the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- the contract involves the right to direct the use of the asset.

The policy is applied to contracts entered into, or changed, on or after 1 April 2022.

At inception or on reassessment of a contract that contains a lease component, Crown Estate Scotland allocates the consideration in the contract to each lease component on the basis of the relative standalone prices.

Crown Estate Scotland assess whether it is reasonably certain to exercise break options or extension options at the lease commencement date. This is reassessed if there are significant events or changes in circumstances that were not anticipated.

As a lessee

Right of use assets

Right of use assets and lease liabilities are recognised at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet one of the following:

- a longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates; and;
- the fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The right of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis of those of property, plant and equipment assets.

Crown Estate Scotland applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HM Treasury (HMT). The HMT medium term nominal discount rate was 3.20%.

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the estimates of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether a purchase, extension or termination option will be exercised.

Lease payments included in the measurement of the lease liability comprise the fixed payments as defined by the lease.

When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset or recorded in the Statement of Comprehensive Income if the carrying amount of the right of use asset is zero.

Crown Estate Scotland presents the right of use assets that do not meet the definition of investment properties per IAS 40 as right of use assets on the Statement of Financial Position. The lease liabilities are included within lease liabilities within current and non-current liabilities on the Statement of Financial Position.

As a lessor

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

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

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

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

Crown Estate Scotland recognises lease payments under operating leases as income on a straight line basis over the length of the lease terms.

The accounting policies applicable to Crown Estate Scotland as a lessor are largely unchanged by IFRS 16.

New Standards, amendments and interpretations adopted

The cumulative effect of adopting IFRS 16 is included as an adjustment at the beginning of the current period. IAS 17 operating leases are included within the Statement of Financial Position as a lease liability and right of use asset for the first time. The calculation of the lease liability and right of use assets is included below.

On adoption of IFRS 16, Crown Estate Scotland recognised lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17 Leases.

The most significant differences between the Crown Estate Scotland's operating lease commitments of £1.3m at 31 March 2023 and lease liabilities upon adoption of IFRS 16 of £1.1m are set out below:

	£m
Operating lease commitments reported at 31 March 2022 under IAS 17	1.3
Effect of discounting on payments included in the calculation of the lease liability	0.2
Lease liability opening balance as at 01 April 2022	1.1
of which these are	
Current lease liabilities	0.1
Non-current lease liabilities	1.0
	1.1

The commitments under IAS 17 for all operating leases as at 01 April 2022 were as follows:

Amounts falling due	£m
Within 1 year	0.1
Between 2 and 5 years	0.6
After 5 Years	0.6
	1.3

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 IFRS 15 (Revenue from Contracts with Customers) is £77.0m (2021-22: £5.0m). Within this option fee revenue is £71.8m (2021-22: £0.5m) and licence revenue from undersea cable, pipelines and interconnectors, and coastal moorings is £3.9m (2021-22: £3.9m).

Revenue breakdown

	2022-23 £m	2021-22 £m
Lease revenue	31.4	23.4
Other revenue from contracts with customers	77.0	5.0
	108.4	28.4

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 main 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.

- **Service charge**

Crown Estate Scotland incurs certain costs in relation to properties which are occupied by its customers which, as is common with commercial leases, are recharged to its customers. Service charge income is reported separately as it represents a separate performance obligation. Service charge income is recognised as associated costs are incurred.

- **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 Civil Servants and Others Pension Scheme (alpha)

The alpha pension scheme is an unfunded multi-employer defined benefit scheme. Crown Estate Scotland is unable to identify its share of the underlying assets and liabilities and as such has accounted for the 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.

For illustrative purposes, a 10% change in valuation would be expected to have a £65.3m impact on the Statement of Financial Position.

3b. Option fee revenue

Option fee revenue is accounted for under IFRS 15 Contracts for customers. A review was carried out during 2022-23 and it was judged that these contracts do not meet the criteria to be accounted for as leases (under IFRS 16) including the option holder not obtaining use of the underlying asset for the period of the option. Accounting under IFRS 15 is therefore the most appropriate standard.

As the obligations on Crown Estate Scotland are judged to be spread evenly over the life of the option, revenue is recognised evenly over the life of the option. It is noted that the determination of IFRS 15 over IFRS 16 does not have a significant impact on the timing of revenue recognition over the life of the option.

4. Changes in accounting policies not yet adopted

There are no new standards, amendments or interpretations issued but not adopted in the 2022-23 financial year.

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 2023	Year ended 31 March 2022
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Rent and royalties	6	3.5	4.7	26.1	1.0	-	35.3	27.3
Produce	6	0.1	-	-	-	-	0.1	0.5
Other income	6	0.2	-	72.5	-	-	72.7	0.6
Revenue (excluding service charge revenue)		3.8	4.7	98.6	1.0	-	108.1	28.4
Service charge		-	-	-	0.3	-	0.3	0.0
Revenue – as reported		3.8	4.7	98.6	1.3		108.4	28.4
Direct costs:								
Management fees and costs	7	(1.3)	(0.9)	(0.3)	(0.1)	-	(2.6)	(2.2)
Repairs and maintenance	7	(1.0)	-	-	-	-	(1.0)	(1.8)
Other direct expenditure	7	(1.0)	(0.1)	(1.4)	-	-	(2.5)	(1.6)
Service charge	7	-	-	-	(0.4)	-	(0.4)	-
Total direct costs		(3.3)	(1.0)	(1.7)	(0.5)	-	(6.5)	(5.6)
Gross profit		0.5	3.7	96.9	0.8	-	101.9	22.8
Indirect costs:								
Administrative expenses	8	(0.2)	-	(0.6)	-	(4.9)	(5.7)	(4.9)
Total indirect costs		(0.2)	-	(0.6)	-	(4.9)	(5.7)	(4.9)
Operating profit/(loss)		0.3	3.7	96.3	0.8	(4.9)	96.2	17.9
Investment income		-	-	-	-	10.5	10.5	-
Net operating profit/(loss) before depreciation, capital transfer agreements and Statutory transfers		0.3	3.7	96.3	0.8	5.6	106.7	17.9
Depreciation of right of use asset	20	-	-	-	-	(0.1)	(0.1)	-
Depreciation of tangible fixed assets	18	-	(0.1)	-	-	(0.1)	(0.2)	(0.2)
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		0.3	3.6	96.3	0.8	5.4	106.4	17.7
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	11	-	-	-	-	(2.4)	(2.4)	(1.8)
Statutory transfers	11	-	-	-	-	(0.4)	(0.4)	(0.2)
Net revenue account profit/(loss) distributed to the Scottish Government Consolidated Fund		0.3	3.6	96.3	0.8	2.6	103.6	15.7

Capital Account

							Year ended 31 March 2023	Year ended 31 March 2022
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Income from sale or leases	6	-	-	0.3	-	-	0.3	0.2
Charge from revenue account for salary costs	9	(0.2)	-	(0.3)	-	-	(0.5)	(1.1)
Net revaluation gain/loss on investment property (including profit/(loss) on disposal)	12	3.4	-	83.3	(1.1)	-	85.6	110.4
Capital profit before capital transfer agreements		3.2	-	83.3	(1.1)	-	85.4	109.5
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	11	-	-	-	-	2.4	2.4	1.8
Other capital transfers	11	-	-	-	-	0.4	0.4	0.2
Net capital account profit		3.2	-	83.3	(1.1)	2.8	88.2	111.5

Consolidated Statement of Financial Position

							Year ended 31 March 2023	Year ended 31 March 2022
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Non-current assets:								
Investment properties	15	160.1	41.3	443.7	7.9	-	653.0	568.1
Owner occupied property	16	0.1	-	-	-	-	0.1	0.1
Plant and equipment	18	0.1	0.2	-	-	0.2	0.5	0.7
Right of use asset	20	-	-	-	-	0.9	0.9	-
Receivables due after one year	19	0.2	-	6.5	-	-	6.7	5.9
Total non-current assets		160.5	41.5	450.2	7.9	1.1	661.2	574.8
Unallocated current assets							745.9	62.3
Unallocated liabilities							(713.3)	(31.3)
Net assets							693.8	605.8
Acquisitions and capital expenditure	15	1.5	0.6	0.7	-	-	2.8	5.8

6. Revenue

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Revenue account		
Rent and royalties	35.3	27.3
Produce	0.1	0.5
Other income	72.7	0.6
Revenue (excluding service charge revenue)	108.1	28.4
Service charge	0.3	-
Revenue – as reported	108.4	28.4
Capital account revenue		
Revenue – amortisation of income from grant of lease premia	0.3	0.2

7. Costs

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Management fees and costs	2.6	2.2
Repairs and maintenance	1.0	1.8
Other direct expenditure	2.5	1.6
Administrative expenses (see note 8)	5.7	4.9
Costs (excluding service charge expenses)	11.8	10.5
Service charge	0.4	-
Total costs reflected in revenue account	12.2	10.5

8. Administrative Expenses

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Members' remuneration	0.1	0.1
Management and administration expenses	5.6	4.8
	5.7	4.9

Auditors' remuneration of £83,885 (2021-22: £79,455) is included within management and administration expenses. This is split between internal audit, £31,622 (2021-22: £31,566), and external audit, £52,263 (2021-22: £47,890). The 2022/23 annual audit fee per the Annual Audit Report was £54,564. This was accompanied by a rebate of £2,301, therefore the fee disclosed is the net position. Fees paid to internal auditors during 2022-23 for non-audit services was £4,634 (2021-22: £18,310).

9. Staff Costs

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Wage and salaries	3.6	3.1
Social security costs	0.5	0.4
Pension costs	1.0	0.8
Total staff costs	5.1	4.3
Less staff costs charged to capital account	(0.5)	(1.1)
Staff costs reflected in the revenue account	4.6	3.2
Included in:		
Administrative expenses	2.3	2.0
Direct costs	2.3	1.2
Charged to the capital account	0.5	1.1
	5.1	4.3
	Number	Number
The average number of employees during the year	69	59

A full analysis of these costs is included in the Remuneration Report.

10. Investment income

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Bank interest receivable	10.5	-
Investment income	10.5	-

11. Capital recovery under capital transfer agreements under the Scottish Crown Estate Act 2019

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
By agreement with the Scottish Ministers the income account is charged with amounts as disclosed in note 1		
Total recovery of capital expenditure	2.4	1.8
Transfer in respect of mines / minerals earnings	0.4	0.2
Total recovered under capital transfer agreements	2.8	2.0

Appendix 2 sets out the Ministerial Direction relating to these capital transfers.

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Reflected in the capital account:		
Surplus on revaluation of investment properties	85.0	110.2
Adjustment for gross up for deferred rent movement	(0.3)	(0.2)
Gain on disposal of investment properties	0.9	0.4
Net revaluation gains on investment property (including profit/(loss) on disposal)	85.6	110.4

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 2023 £m	Year ended 31 March 2022 £m
Long term receivables (note 19)	6.7	5.9
Trade receivables (note 21)	4.9	6.6
Accrued income (note 21)	11.3	6.6
Cash and Cash Equivalents (note 22)	721.9	48.7
	744.8	67.8

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Long term payables (note 23)	628.8	13.1
Trade payables (note 23)	0.4	0.9
Deferred income on grant of lease premia (note 23)	0.4	-
Rents and other income received or invoiced in advance (note 23)	80.9	4.5
Accrued expenditure (note 23)	1.6	1.3
Due to the Crown Estate Commissioners (note 23)	0.1	0.1
Due to the Scottish Government Consolidated Fund (note 23)	-	9.7
	712.2	29.6

Liquidity risk

Crown Estate Scotland is self-financing and a net contributor to the Scottish Government Consolidated Fund. Crown Estate Scotland's input to budget and outturn reporting is restricted to the amount of net profit contribution and the timing of payments to the Scottish Government. As a public organisation, and in accordance with the Scottish Crown Estate Act 2019, Crown Estate Scotland can request to borrow finances from the Scottish Government if required. Crown Estate Scotland's exposure to liquidity risks is therefore limited.

Fair values

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

14. Scottish Government Consolidated Fund Payment

In accordance with section 1 of the Civil List Act 1952, the payment of hereditary revenues from Scottish assets is to be paid into the Scottish Government Consolidated Fund. In 2022-23 £111.0m was paid to the Scottish Government for 2022-23 prior to the year end. Net revenues were £103.6m meaning £7.3m is included in receivables. In 2021-22 £6.0m of the total £15.7m net revenues was paid for 2021-22 prior to year end, and a further £9.7m included in payables and paid during 2022-23. During 2022-23 Crown Estate Scotland received £755.1m from the payment of ScotWind option fees.

As noted in Note 2d Crown Estate Scotland accounts for option fees under IFRS 15 and recognises revenue on a straight-line basis over the option period. £7.3m of the £111.0m paid to the Scottish Government during 2022-23 represents funds transferred ahead of being earned.

The table below presents a breakdown of the source of funds transferred in 2022-23 between ScotWind and non-ScotWind sources, and a breakdown of the payment made in advance to the Scottish Government Consolidated Fund debtor recorded at the year end.

	Monies paid in year to Scottish Government Consolidated Fund £m	Payment in advance to Scottish Government Consolidated Fund £m
Of which gross ScotWind revenues	71.2	-
Of which ScotWind funds advanced	31.8	31.8
Of which other net revenues	8.0	(24.5)
	111.0	7.3

15. Investment Properties

Portfolio	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Fair value at 1 April 2022	157.2	40.8	361.1	9.0	-	568.1
Acquisitions	-	-	-	-	-	-
Capital expenditure	1.5	0.6	0.7	-	-	2.8
Capital receipts	-	(0.1)	(1.1)	-	-	(1.2)
Disposals	(0.9)	-	-	-	-	(0.9)
Revaluation	2.3	-	83.3	(1.1)	-	84.5
At closing valuation	160.1	41.3	444.0	7.9	-	653.3
Deferred income from lease premia received	-	-	(0.3)	-	-	(0.3)
Fair value at 31 March 2023	160.1	41.3	443.7	7.9	-	653.0

Included in deferred income from lease premia received is £298,566 (2021-22: £195,492), 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 2023 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 17.

16. Owner occupied property

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Fair value at opening	0.06	0.06
Additions	0.02	-
Fair value closing	0.08	0.06

During the year the business took occupation of two properties that have previously been investment properties. These are noted as additions above and as disposals in note 15.

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 2023 by Strutt & Parker, independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. Information about the fair value measurement of owner occupied properties is set out in note 17.

17. Fair value measurement of properties

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

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS valuation – Global Standards 2017 – UK national supplement published by the RICS (the RICS Red Book) and VGPA 1 guidance therein regarding Valuation for inclusion in financial statements. Crown Estate Scotland provides data to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs, including market transactions for similar properties, to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the asset management team, the senior management team and the members. The annual valuation is presented to and is endorsed by the Investment Committee.

Fair value hierarchy

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

Class of property	Fair value at 31 March 2023 £m	Predominant valuation technique	Key observable inputs	Range	Principal valuer
Rural and Coastal portfolio:					
Agricultural (including Development Land)	109.4	Comparable / Investment	Market value as a proportion of vacant possession Yield	53.0% 2%-50%	Strutt & Parker
Coastal	41.3	Investment	Yield	7.75%-14.5%	Savills
Forestry	47.9	Comparable	Land and timber value	£8,800-£15,700 (Av £ p Ha)	Strutt & Parker
Minerals	2.9	Investment	Yield	8%-19%	Wardell Armstrong
	201.5				
Marine portfolio:					
Renewables – Offshore Wind	349.2	Investment / DCF	Yield Discount rates	5.0%-20.5% 7.75%-23.25%	Savills
Renewables – Wave & Tidal and Carbon Capture & Storage	0.6	DCF	Discount rates	10%-27.5%	Powis Hughes
Cables & Pipelines	27.1	Investment	Yield	5.5%-12%	Powis Hughes
Aquaculture	66.8	Investment	Yield	9.1%-18.3%	Savills
	443.7				
Urban portfolio:					
Offices	4.3	Investment	ERV Yield	£21-£23 psf 6.75% - 7.75%	JLL
Retail	3.6	Investment	ERV Yield	£90 psf ZA 7.50%	JLL
	7.9				
Total all portfolios at valuation	653.1				

Owner occupied property valued at £0.1m is included in Agricultural properties and valued on a vacant possession basis.

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

Investment Method

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

Discounted cash flow (DCF)

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

Comparable method

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

Wind farms

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

Strategic land

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

Properties being redeveloped

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

Rural and residential properties

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

Sensitivity analysis

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

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

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

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

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

For illustrative purposes, a 10% change in valuation would be expected to have a £65.3m impact on the Statement of Financial Position.

18. Plant and equipment

2022-23	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
Cost at 1 April 2022	0.5	-	0.6	0.2	0.1	1.4
Additions	-	-	-	-	-	-
Disposals	-	-	(0.2)	-	-	(0.2)
Cost at 31 March 2023	0.5	0.0	0.4	0.2	0.1	1.2
Depreciation at 1 April 2022	0.2	-	0.4	0.1	-	0.7
Charge	-	-	0.1	-	0.1	0.2
Disposals	-	-	(0.2)	-	-	(0.2)
Total depreciation at 31 March 2023	0.2	0.0	0.3	0.1	0.1	0.7
Net book value at 31 March 2022	0.3	0.0	0.2	0.1	0.1	0.7
Net book value at 31 March 2023	0.3	0.0	0.1	0.1	0.0	0.5

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

19. Receivables due after one year

	As at 31 March 2023 £m	As at 31 March 2022 £m
Other receivables	6.7	5.9

20. Right of use asset

	As at 31 March 2023 £m	As at 31 March 2022 £m
Net book value		
At 31 March	-	-
Adjustments on initial application of IFRS 16 VAT receivable	1.0	-
Adjusted balance as at 1 April	1.0	-
Depreciation for the period	(0.1)	-
At 31 March	0.9	-

This is a new note for 2022-23 as this is the first year of adoption of IFRS 16 – Leases for Crown Estate Scotland. See Note 2 Significant accounting policies for more information on the adoption of this standard.

21. Trade and other receivables

	As at 31 March 2023 £m	As at 31 March 2022 £m
Trade receivables	4.9	6.6
Due to Scottish Government (paid in advance)	7.3	-
VAT receivable	0.2	-
Prepayments	0.3	0.4
Accrued Income	11.3	6.6
	24.0	13.6

Trade and other receivables are shown after deducting provisions for bad and doubtful debts of £137,596 (2021-22: £151,962). The trade receivable impairment reflects the application of Crown Estate Scotland's judgement in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value. During the year net debts of £7,728 were written off (2021-22: £2,459).

Receivables from contracts with customers as at 31 March 2023 was £1.0m (as at 31 March 2022: £1.0m). Accrued income arising from contracts with customers as at 31 March 2023 was £0.1m (as at 31 March: £0.1m). It is expected all will be invoiced within 6 months of the year end (31 March 2022: 6 months).

22. Cash and Cash Equivalents

	£m
Balance as at 1 April 2022	48.7
Net change in cash and cash equivalents	673.2
Balance as at 31 March 2023	721.9
The following balances were held within:	
Revenue account	671.0
Capital account	50.9
Balance as at 31 March 2023	721.9

23. Payables

	As at 31 March 2023 £m	As at 31 March 2022 £m
Amounts falling due within one year:		
Trade payables	0.4	0.9
Rent and other income received or invoiced in advance	80.9	4.5
VAT and other taxes payable	0.1	1.1
Due to the Crown Estate Commissioners	0.1	0.1
Due to the Scottish Government Consolidated Fund	-	9.7
Accrued expenditure	1.6	1.4
Deferred income on grant of lease premia	0.4	0.5
	83.5	18.2
Amounts falling due after more than one year		
Deferred income on grant of lease premia	17.7	12.5
Rent and other income received or invoiced in advance	611.1	0.6
	628.8	13.1

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 2023, £0.1m (31 March 2022: £0.1m) was outstanding to the Crown Estate Commissioners.

During the year to 31 March 2023, Crown Estate Scotland received a lease premia of £5.6m on leases over 20 years in length (31 March 2022: £7.2m). In line with the requirements of the Scottish Crown Estate Act 2019, these have been taken to the capital account and are being amortised over the length of the leases.

For clarity the rent and other income received or invoiced in advance balance includes all revenue income, including option fees. These were included in deferred income in the prior year accounts. Revenue relating to the capital account remains in the deferred income balance.

Within the £80.9m rent and other income received or invoiced in advance to be recognised within 12 months of the balance sheet date (as at March 2022: £4.7m), £78.3m related to income from contracts with customers (as at 31 March 2022: £2.2m). Within the £611.1m rent and other income received or invoiced in advance falling due after one year of the balance sheet date (as at March 2022: £0.6m), £608.8m (as at March 2022: nil) related to contracts with customers.

Deferred income on grant of lease premiums relates to leases over 20 years and is recognised in the capital account.

The aggregate value of performance obligations for contracts with customers not fully satisfied as at 31 March 2023 is £776.2m (as at 31 March 2022: £85.0m), of which £79.7m will be recognised in 1 year (2021-22: £4.1m), £316.7m in 1-5 years (2021-22: £14.1m) and £379.8m in over 5 years (2021-22: £66.7m). The reason for the significant increase on the prior year is due to the commencement of the ScotWind Option arrangements during 2022-23.

24. Lease Liability

Total future lease payments under leases are given in the table below.

	As at 31 March 2023 £m	As at 31 March 2022 £m
At 31 March 2022	-	-
Adjustments on initial application of IFRS 16	1.1	-
Adjusted balance as at 1 April 2022	1.1	-
Amounts paid	(0.1)	-
Discount unwind	-	-
At 31 March 2023	1.0	-
Current	0.1	-
Non-current	0.9	-
Total	1.0	-

This is a new note for 2022-23 as this is the first year of adoption of IFRS 16 - Leases for Crown Estate Scotland. See Note 2 Significant accounting policies for more information on the adoption of this standard.

25. Leasing

Operating leases with tenants

Crown Estate Scotland leases out the majority of its investment properties for average lease terms of 25.4 years to expiry (2021-22: 25.4 years). Crown Estate Scotland has classified these leases as operating leases because the leases do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The undiscounted future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable operating leases are as follows

	As at 31 March 2023 £m	As at 31 March 2022 £m
Less than one year	5.8	5.3
Between one and five years	18.6	18.3
More than five years	154.4	149.2
	178.8	172.8

Crown Estate Scotland has no obligations under finance leases. Contingent rents receivable were £23.4m at 31 March 2023 (2021-22 £16.1m).

26. Capital Commitments

At 31 March 2023, capital expenditure of £0.4m had been authorised but not yet committed (2021-22: £0.3m).

27. 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.

28. 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 2023.

Member	Organisation	Position held	Amounts receivable by Crown Estate Scotland		Amounts payable by Crown Estate Scotland		Nature of transaction
			2022-23 £	2021-22 £	2022-23 £	2021-22 £	
Amanda Bryan	Highlands and Islands Enterprise	Board Member	23,830	12,880	-	-	Rental income
	Institute of Chartered Foresters	Member of the Institute of Chartered Foresters Professional and Educational Standards Committee and chairs the Committee's Accreditation Subcommittee Pool	-	-	-	463	Membership subscription
Michael Foxley	University of Highlands and Islands	Member of Transition Board for North, West and Hebrides UHI	400	1,320	-	9,224 ²⁸	Training and project expenditure
	MOWI	Son employee	1,337,296 ²⁹	1,762,138 ³⁰	-	2,040	Rental Income Legal expenditure
Jean Lindsay	Revenue Scotland	Non-Executive Director	-	-	-	nil	Land & Buildings Transaction Tax (LBTT) ³¹
Robert Mackenzie	Ferguson Marine (Port Glasgow) Limited	Director	7,235	7,235	-	-	Rental income
Katerina Brown	National Trust of Scotland	Chief Operating Officer	1,040 ³²	n/a	-	-	Rental Income
Ailsa Raeburn	Highlands and Islands Enterprise	Board Member	23,830	n/a	-	n/a	Rental Income
Esther Black	Children in Scotland	Non-Executive Director	-	-	15,498	-	Project expenditure

Crown Estate Scotland is a public body, classified as a public corporation with a trading nature, answerable to the Scottish Parliament through Scottish Ministers. In accordance with section 1 of the Civil list Act 1952, the payment of hereditary revenues from Scottish assets is to be paid into the Scottish Government Consolidated Fund. See note 14 for further details.

During the period to 31 March 2023, £372,895 (2021-22: £447,170) for project expenditure was payable by Crown Estate Scotland to the Marine directorate within Scottish Government, who are responsible for sponsoring Crown Estate Scotland. As at 31 March 2023, £144,400 was outstanding (2021-22: £97,628).

29. Third party deposits

At 31 March 2023, Crown Estate Scotland held £5.2m of tenant deposits on behalf of third parties (2021-22: £0.1m).

30. Events after the reporting period

No adjusting events have occurred between the 31 March reporting date and the date of authorisation. As at 30 November 2023 twelve INTOG Exclusivity agreements had been signed. This has no impact on the reported results.

28 £516 outstanding as at 31 March 2022.

29 £1.0m outstanding as at 31 March 2023, £0.99m does not fall due until 2023-24, and £325 has been provided for.

30 £1.3m outstanding as at 31 March 2022, does not fall due until 2022-23.

31 During the year to 31 March 2022 Crown Estate Scotland purchased one land asset. Legal advice was sought, and it was determined that LBTT was not due on these transactions. No land assets purchased during the year to 31 March 2023.

32 £1,390 outstanding at 31 March 2023 of which £1,300 relates to prior years, and £600 has been provided for.

5. APPENDICES

Appendix 1



Scottish Government
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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 Labouge

Dated: 12 March 2021

Accounts Direction

Schedule 1

To meet the requirements of the Scottish Crown Estate Act 2019 the movements in comprehensive income will be analysed between revenue and capital accounts. The statement of accounts will also reflect the transfers between capital and revenue account as required by Statutory provisions and capital transfer agreements.

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

Appendix 2



Crown Estate Scotland

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

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

The Scottish Ministers direct as follows:

2. This Direction applies to Crown Estate Scotland.

Transfer of sums between income and capital accounts

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

Treatment of certain sums

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

Signed

Dated 31.03.2022

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