



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

Annual Report and Accounts to 31 March 2024





Nana Tomova, storyteller, addresses the crowd at a community event held on the Glenlivet Estate.

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Introduction

Welcome to Crown Estate Scotland's seventh annual report.



Olivia Morrad, Assistant Development Manager (Left)
and Fiona Haywood, Head of People (Right)

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

That work significantly contributes to key sectors including renewable energy, aquaculture, farming and ports & harbours, impacting communities and businesses across the country.

This year was notable for the continued progress made in offshore wind leasing, which saw Exclusivity Agreements put in place for 12 new projects that will now move into the development stage.

In this report we outline what we delivered in 2023-24 and look at some of the opportunities and challenges which lie ahead.

Chair's foreword

It is an honour and a privilege to be reflecting on all that Crown Estate Scotland (CES) has achieved in 2023-24, my first year as Chair.



Over the past year the team at Crown Estate Scotland (CES) have worked hard to deliver for our customers, stakeholders, and partners by pursuing a diverse range of opportunities that produce both financial and non-financial benefits to Scotland now and in the years to come.

The past year has not been without its challenges. Our financial results reflect the inherent volatility of certain asset classes such as offshore wind and aquaculture. In addition, supply chain pressures have prevented us from deploying capital to the extent that we had hoped within the year. Notwithstanding this we have achieved some significant wins.

Despite the challenging operating environment, heightened by the acceleration of the nature and climate crises, we have refreshed our strategy to reflect renewed drive and ambition. Our 2026-31 Corporate Plan will centre not only financial growth but also wider themes such as protecting the climate, restoring nature and stewarding the Scottish Crown Estate sustainably.

Over the years to come, with the right investment we can deliver a significant and growing financial contribution to Scotland's public spending while investing in the Estate so that future generations benefit from the tangible social, environmental and economic value it delivers and enables. Like any property portfolio the Scottish Crown Estate requires a minimum amount of reinvestment to meet its legal obligation and maintain the bare value of the estate; greater growth and realising greater societal value requires further investment and a degree of certainty.

It goes without saying that everything we deliver depends on the contributions of the people working for and alongside our organisation. With this in mind I would like to offer a few words of thanks.

First, I want to thank my predecessor Amanda Bryan who stepped down early in 2023-24. Her strategic and diligent approach to establishing and growing CES throughout its first few years has left a lasting, positive legacy for future chairs to build on.

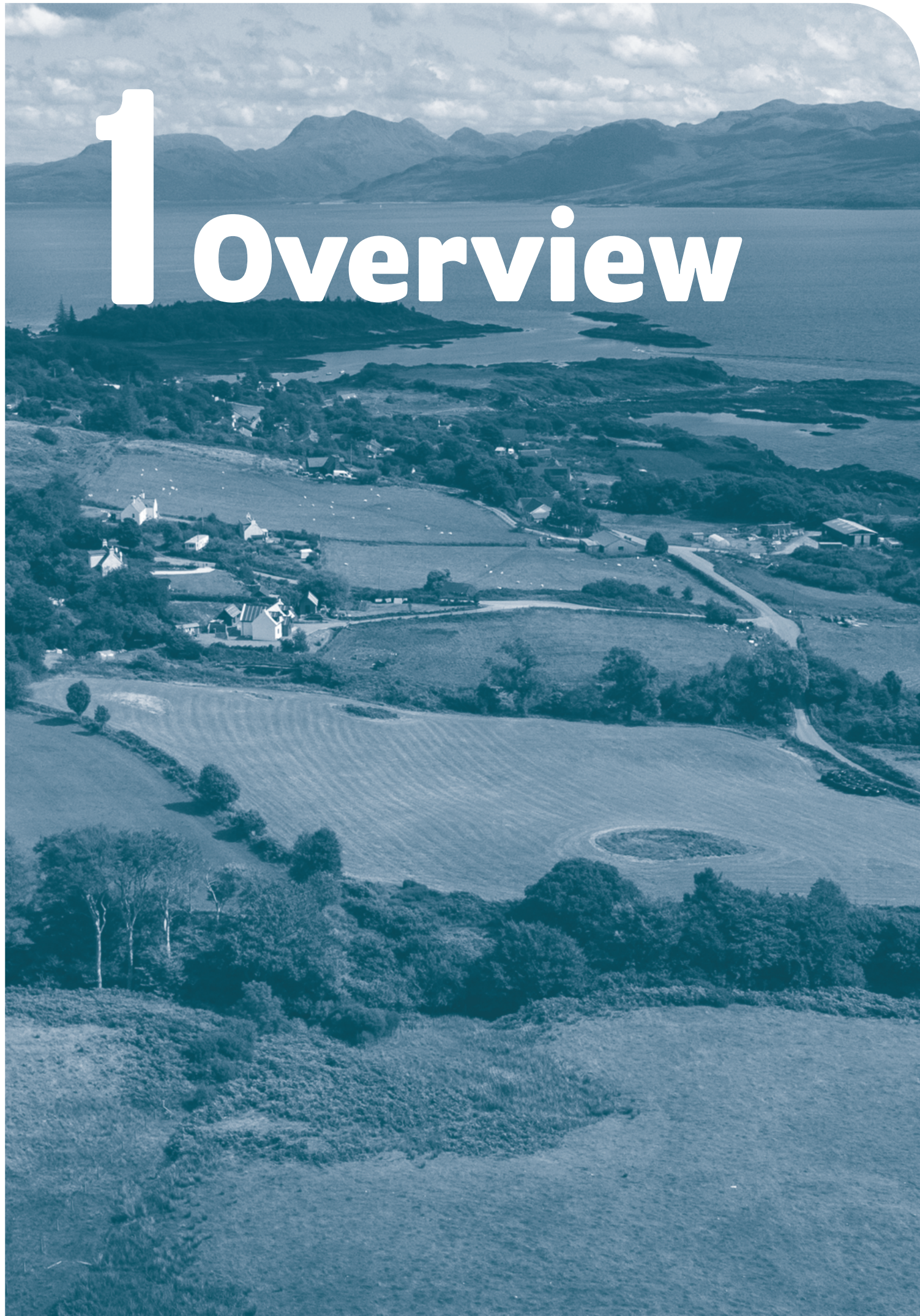
I would also like to extend my thanks to my fellow Board members for their steadfast efforts and contributions over the course of the year, and of course to all the members of the CES team for their professionalism and hard work.

And finally, on behalf of CES, I would like to thank our partners, stakeholders and customers whose successes and achievements are transforming Scotland for the better.

Euan McVicar

Chair of the Board
Crown Estate Scotland
04 December 2024

1 Overview



1. Overview

In this section we summarise CES's purpose and activities. We also look at key risks and issues facing the organisation and give a summary of performance in 2023-24.

1.1 Statement of the Chief Executive



That the only constant in life is change is a phrase particularly apt for the post-Brexit and post-pandemic world. In the UK, the need for us all to adapt and respond to national and global challenges is evident across different sectors, nations and generations.

This is only my second annual report, having joined CES in 2022, but it is clear that amidst much instability the business is entering a dynamic new stage of development, with unique opportunities and challenges impacting how we fulfil our purpose of investing to deliver lasting value for Scotland.

We have been in existence for only seven years, but in that short time CES has firmly established itself as an effective and efficient public corporation, enabling and investing in sustainable development across key sectors.

Now, we need to prepare to do more. Over the last year, we have started to develop organisational capacity and capability and delivered on our strategic objectives

relating to financial growth and our five categories of wider value (economic, social, environmental, climate change and regeneration).

As always, the diversity and complexity of the Estate continues to produce fresh challenges which the CES team respond to with dedication, insight, and creativity.

Our work **supporting the sustainable expansion of Scotland's blue economy** remains a core focus for us.

In 2023-24 we confirmed that as part of the Innovation and Targeted Oil & Gas (INTOG) leasing round – the world's first offshore wind leasing round of its type – seven TOG projects and five IN projects secured Exclusivity Agreements, allowing them to move into the development stage.

These 12 projects could add up to 5.5GW of green electricity capacity. They present a significant supply chain investment opportunity for Scotland, will progress the decarbonisation of North Sea operations and will generate up to £262m in option fees.

Our commitment to the transformative opportunities in offshore wind was also demonstrated by:

- Our work with the Scottish Offshore Wind Energy Council (SOWEC) to advance the offshore wind sector, including supply chain development;
- Collaboration with partners to attract investment in manufacturing capability at Nigg;
- Funding of and participation in the Offshore Wind and Carbon Capture and Storage Colocation Forum to progress efficient and sustainable use of seabed to deliver net zero;

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Focus: Blue Economy

16



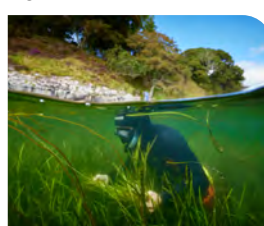
Focus: Buildings & Places

18



Focus: Sustainable Resource Use

20



Focus: Involving People

22



Focus: Skills and Knowledge

- Work with The Crown Estate to ensure data from Scottish offshore project surveys is freely available (via an online portal) to support investment and sector growth; and
- Partnering in a study exploring high integrity marine natural capital markets.

Continuing our focus on **investing in buildings and helping to create great places**, 2023-24 saw us prioritise the improvement and decarbonisation of homes, buildings, and infrastructure across our rural estates.

Following on from last year's outreach work on the Whitehill Estate, we have continued community conversations at both Mosstodloch and Glenlivet in Moray, supporting local people to shape plans for their local area.

In Mosstodloch, this has led to the creation of Mosstodloch 2040, an innovative community engagement-led masterplan generating proposed improvements to the local area that cover a range of important issues, from housing development and education to environmental sustainability and job creation.

Throughout 2023-24 we continued to advance projects aimed at **promoting new, sustainable ways of using natural resources**, working with our customers (tenants) and stakeholders to develop plans for riparian tree-planting and funding jobs in river salmon fishing conservation as well as in the shellfish and seaweed sectors.

Our close work with local communities has continued and we remain wholly dedicated to **involving people in how land, coastline and seabed are managed**.

In 2023-24, our Sustainable Communities Fund grants saw a total of £430k made available to support projects and ideas benefiting the environment and local communities, with the most recent grants supporting a range of community enterprises across Highland, Dumfries & Galloway, and Argyll & Bute.

We have also made substantial progress on long term commitments by extending our financial support of the Portgordon Community Trust's Community Development Officer, developing the Community Land Accelerator process to support community ownership of assets and completing engagement on Stage 2 of our Glenlivet 2050 plan.

These highlights are only a snapshot of the diverse range of work that have seen us **use our skills and knowledge to deliver success**, generating **£113.2m** for the Scottish Government's public spending and increasing the value of the Scottish Crown Estate from **£653.1m to £665.6m**.

Looking back on the year allows us to recognise these successes and reflect on what makes them possible.

The value CES delivers for Scotland depends on three things: the assets we manage, the customers (tenants) and the team that manage the Estate and the associated commercial arrangements. It is critical therefore that we care for and reinvest in all three. In doing so, we can help to better ensure sustainable and sustained prosperity for future generations.

For this reason, I would like to take this opportunity to thank the CES team for their passion and commitment throughout this past year and all our customers (tenants) for their ongoing support.

As we look to the challenges and opportunities that lie ahead, it is important to remember that continued and increased investment in the Estate, our customers, partners and team will further the financial and non-financial value generated by the Scottish Crown Estate, for the people of Scotland, both now and in the future.

Ronan O'Hara

Chief Executive,
Crown Estate Scotland
04 December 2024

1.2 Who we are and what we do

CES 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.

This purpose is rooted in the Scottish Crown Estate Act 2019 ('the Act'). This requires CES to, first and foremost, maintain and seek to enhance both revenue – which is returned to Scottish Government – and capital value of the assets.

The Act tasks CES with doing this in the way that is best calculated to further sustainable development and is likely to contribute to the promotion or the improvement in Scotland of social, economic, and environmental value (specifically economic development, regeneration, social wellbeing and environmental wellbeing.)

This set of responsibilities requires CES to balance short-term revenue generation with long-term capital growth: without a financially sustainable Estate, the revenues and the wider value that flow from it cannot be maintained.

Under the current corporate plan, 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 2024 of **£665.6m**.

It includes ancient rights held by The Crown (e.g. wild salmon fishing) as well as acquired property (e.g. Glenlivet 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 CES, which is a public corporation.

Our revenue profits are paid to the Scottish Government. Some of these funds are redistributed by the Scottish Government to coastal local authorities to fund projects benefitting communities. From our first **five** years of operating alone, **£50.5m** was distributed to local authorities with Highland, Eilean Siar and Shetland Islands receiving multi-million pound awards¹.

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 long-term social, economic and environmental benefits for Scotland and its communities. Our corporate plan aligns with this vision.

¹ <https://www.gov.scot/publications/scottish-crown-estate-revenue-allocations-2/>

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 2024, we had 80 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.

Our current corporate plan sets out how we align with the National Performance Framework and contribute to tackling the nature and climate crises.

- 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.

A description of each of our strategic objectives and how our work in 2023-24 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.



Coordinator:

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



Asset Manager:

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

What We Manage



3,899

commercial agreements



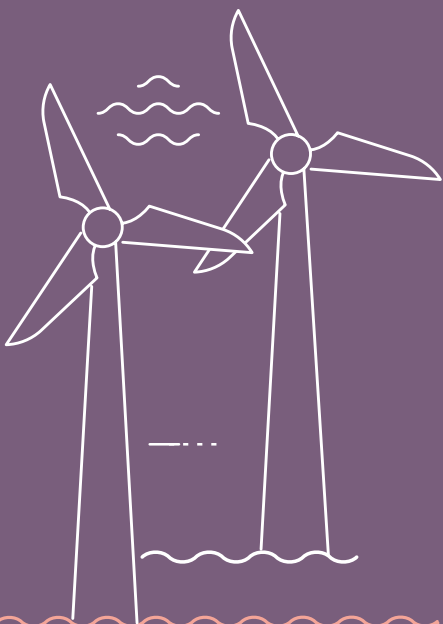
35,000

hectares of land
across 4 estates

80



employees
across Scotland



44.6GW

of potential capacity in
offshore renewable energy
in agreements



£270m

generated for
public spending 2017-2024



£1.4m

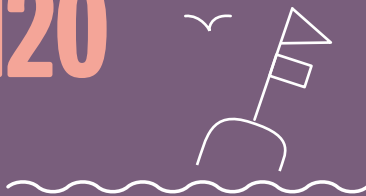
awarded through Sustainable
Communities Fund grants



2,125

tenants across Scotland

120



moorings associations

4,794



hectares of forestry

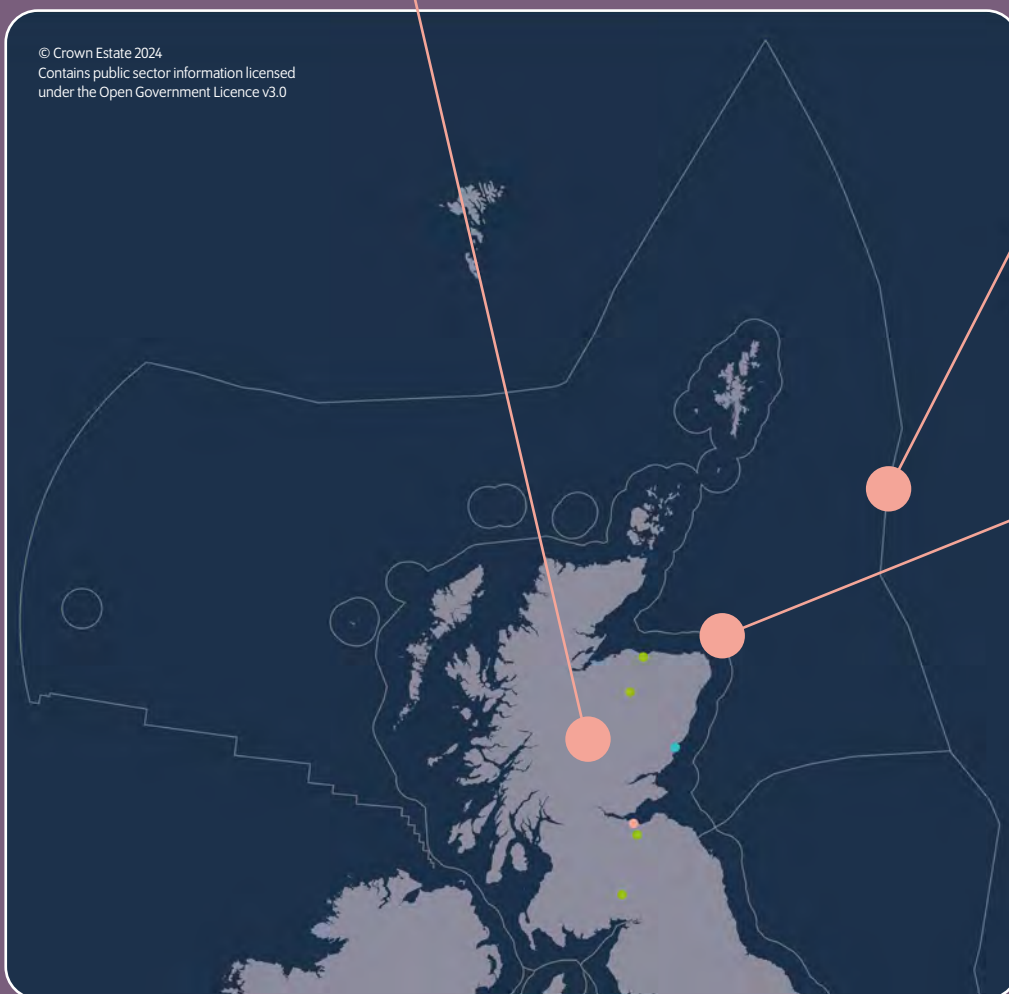
Asset Map

On land, the Scottish Crown Estate is comprised of:

- Four rural estates totalling 35,000 hectares
- Around half of the foreshore
- Rights to fish wild salmon and sea trout in river and coastal areas
- Rights to naturally occurring gold and silver across most of Scotland
- Some commercial properties
- The 'ZeroFour' development land near Montrose

Across the Exclusive Economic Zone - from 12 nautical miles out to 200 nautical miles - Crown Estate Scotland manages rights related to cables and pipelines, the storage of gas and its retrieval, exploration and exploitation for energy from water or winds, and use of the seabed and its subsoil (other than for hydrocarbons).

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Almost all of Scotland's territorial seabed - from the high watermark out to 12 nautical miles - is managed by Crown Estate Scotland, which grants leases to use it for aquaculture, offshore energy, cabling and pipelines.

To explore the leases we have granted in more detail, visit our interactive map at <https://www.crownestatescotland.com/resources/map> or by scanning the QR code.



FOCUS: Blue Economy



Key Fact

44.59GW of offshore
renewables in seabed
agreements

Components for the Moray West wind farm arrive at
Port of Nigg (Picture: Global Energy Group).

1

STRATEGIC OBJECTIVE

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

A major milestone was reached in 2023-24, as 12 Exclusivity Agreements were signed for seven Targeted Oil & Gas (TOG) projects and five Innovation (IN) projects in the world's first offshore wind leasing round of its type.

These agreements follow the 2022-23 leasing round designed to attract investment in innovative offshore wind projects in Scottish waters to support the decarbonisation of North Sea operations.

The INTOG process allowed developers to apply for seabed rights to develop projects that either reduce emissions from North Sea oil and gas operations by supplying renewable electricity directly to oil and gas infrastructure, or by producing small-scale projects of 100MW or less.

The 12 proposed projects that have now signed Exclusivity Agreements are for up to 449MW of capacity for IN and up to 5GW for TOG.

These projects are expected to present a significant supply chain investment opportunity for Scotland (to be outlined in future Supply Chain Development Statements) as well as generating up to £262m in option fees. Further revenues will be secured once projects are operational.

With Exclusivity Agreements now in place, the successful applicants can continue with development work (including obtaining necessary consents) while the Scottish Government completes the sectoral marine planning process for offshore wind.

Andy Riley, Head of Offshore Wind Development said:

"The development and delivery of the INTOG agreements has been both complex and challenging - but the success of the round is another significant milestone in Scotland's progress toward net zero."

What We Delivered

- 1** Advanced opportunities for investment in ports to help unlock the economic, social and environmental potential of the 'Blue Economy'.
- 2** Continued support for the successful delivery of ScotWind projects.
- 3** Progress on enabling projects which support the development of the Wave & Tidal and Carbon Capture & Storage industries.
- 4** A partnership with The Crown Estate to bring our tenants' data to the Marine Data Exchange, making a huge information resource available to the public.
- 5** Continued support for sustainable development of the finfish, shellfish and seaweed sectors.

An aerial concept illustration of the Mosstodloch area in 2040. The image shows a mix of residential developments, including rows of terraced houses, clusters of smaller cottages, and larger industrial-style buildings. Green spaces, trees, and a railway line are also visible. A dark teal banner is overlaid at the top left, and a smaller teal box is in the bottom left corner.

FOCUS: Buildings and Places

Key Fact

To support appropriately scaled housing for the area, 57% of the 27 sites we submitted to Moray's local development plan process had five or fewer homes

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

2

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

This year once again saw significant progress made in CES's outreach initiatives, as the community conversation in Mosstodloch resulted in Mosstodloch 2040, an engagement-led masterplan outlining area development over the next five, 10, 20 years and beyond.

The masterplan process considered the major opportunities and challenges in creating a high-quality environment for living and working, with key considerations being:

- Post-COVID-19 living and working;
- Sustainable living and the journey to net zero;
- Tourism and economic opportunities, both now and following the A96 dualling; and
- A focus on community ownership.

Similarly, it was essential to develop the local vision for what Mosstodloch could become. When we asked what the village should look like in the future, the community talked about:

- A choice of good homes for all sections of the community;
- A hub or centre where a growing community can come together and interact;
- A place that is designed for the movement of people;
- Opportunity to work locally;
- A place that is well connected with its environment; and
- A zero carbon place.

Having completed a settlements assessment, a sustainability assessment, community engagement, options testing and the creation of a local place plan driven by a community steering group, the next step in the project is the submission of the master planning

document to Moray Council to be approved for Supplementary Guidance.

Caroline Bell, Built Development Manager, Development, Capital Delivery & Decarbonisation, said: "The Masterplanning exercise in Mosstodloch benefitted hugely from the positive response to our requests for local engagement. The ideas brought forward by the community, local employers and other stakeholders provided the seed to develop a future-facing-plan for everyone. Moray Council provided further support and are now taking this forward to become supplementary planning guidance thus crystallising the prospects for the long term."

What We Delivered

- 1 Investment in improvements to buildings, and infrastructure across the rural estates. Progressed repairs and maintenance works including a significant programme of new & refurbished farm fencing as well as implementing larger infrastructure projects.**
- 2 The initial implementation of a multi-year programme of improvements to our residential property portfolio, incorporating energy efficiency works and solar PV installations.**
- 3 Progress towards a long term strategy of acquiring income-generating assets and repositioning land to ensure suitable options exist for divestment or development.**

FOCUS: Sustainable Resource Use

Key Fact

30 projects promoting
sustainable resource use

Mary Munro, who works for our managing agents, Strutt and Parker, addresses the audience at our Farm Tenants' Forum event.

3

STRATEGIC OBJECTIVE

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

Working with our managing agents, Strutt & Parker, we have started an innovative sustainable farming project. It's designed to support our agricultural tenants at a time when they are facing challenging trading conditions and significant uncertainty, especially in relation to agricultural support mechanisms.

More than 90 tenants had the opportunity to sit down with an experienced Agricultural Business Advisor from Strutt & Parker to gather data on the current farming systems, habitat and biodiversity activity, waste management and emission reduction measures, as well as diversification projects.

In addition, we gathered feedback on what tenants see as the key challenges they face and what objectives and ambitions they have for the future. This will provide a sound platform for CES to understand where investments can best be made over the coming years.

Chris Cassels, Head of Asset Management (Property), said: "The sustainable farming survey has provided valuable data and insights to help shape our proposed Farming for the Future initiative and inform how CES can work with tenants to address the changing economic and environmental climate".

What We Delivered

- 1** Progress on tenancy opportunities for new entrants to the tenant farming sector.
- 2** Support for farm tenants with the application process for the Scottish Government's Agri-Environment Climate Scheme (AECS). This resulted in five successful AECS grant applications being awarded to tenants during 2023.
- 3** Continued support for the Scottish Government's Wild Salmon Fisheries Implementation plan.
- 4** Partnership agreement with Fisheries Management Scotland to help fund a Wild Salmon Conservation Manager.
- 5** Progress on the development of a Marine Natural Capital strategy.

FOCUS: Involving People

Key Fact

19 projects encouraging people to be more involved in how land, coast and seabed are managed

A diver harvesting seagrass seeds as part of the Loch Craignish seagrass restoration project, an Environment Grant recipient.

4

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

Since 2020, CES's Sustainable Communities Fund (SCF) has distributed £1.4m to local regeneration and sustainable development projects.

The SCF is made up to two grants: Community Capacity Grants (CCG) for community enterprise projects and Environment Grants for tenant projects demonstrating environmental benefit.

In 2023-24, eight CCGs totalling £304k were awarded to the following organisations:

- Applecross Community Company: for the development of 12-16 energy-efficient affordable homes and four business units;
- Ionad Thronairnis: for a feasibility study to renovate the Dun Flodigarry Hostel in Syke;
- Communities Housing Trust: for architectural and designer services required for eight affordable homes in Torridon;
- Gatehouse Development Initiative: for the construction of community-owned homes on a derelict site in Gatehouse of Fleet;
- Iona Energy: for installing a ground source heat network to provide islanders with clean, green, sustainable energy;
- Morvern Community Development: for a project manager to help deliver plans for 10 eco-friendly family homes in Lochaline;
- Nether Lochaber Community Association: for transforming a derelict local barn into a viable community hub; and
- Uig Development Trust: for developing modern, affordable, energy efficient workspaces for local businesses via seven steel-fabricated business units.

The awarding of these eight grants brings the total financial support delivered via the SCF since 2020 to £1.4m.

Annie Breaden, Head of Policy, said: “We are delighted to be able to support such a variety of really positive projects across Scotland. Our grants provide early stage funding for projects which can make a big difference, particularly in areas facing challenges such as depopulation and lack of affordable housing”.

What We Delivered

- 1 Continued support for Portgordon Community Trust's aspirations to manage local land and property, committing further financial support for their Community Development Officer role and extending our partnership agreement with them.**
- 2 Progress on work with the Scottish Land Commission on developing the Community Land Accelerator project to support community ownership of land and other property.**
- 3 The completion of Stage 2 of our Glenlivet 2050 engagement process to develop a future plan for the Estate.**
- 4 Delivery of a programme of engagement events, activities and opportunities that supported the local economy around Tomintoul and Glenlivet.**

FOCUS: Skills and Knowledge



Key Fact

The results of our 2023 Market Engagement on Wave and Tidal Energy will help to shape future leasing rounds and support the growth of the sector.

Our Head of Offshore Wind, Andy Riley, speaks during a panel discussion at the Floating Offshore Wind 2023 conference. (Picture: Renewable UK)

5

STRATEGIC OBJECTIVE

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

The Act requires us to manage the Estate in a way that is likely to contribute to the promotion of economic development, regeneration, social wellbeing and environmental wellbeing. Sometimes this means taking a leading role in projects and other times it means acting as facilitator, partner or collaborator.

In 2023-24 members of the CES team participated in a number of important fora, working groups and committees across a diverse range of fields, including:

- The Scottish Offshore Wind Energy Council (SOWEC) and Offshore Industry Council (OWIC), the fora for engagement between government and the offshore energy sector. This included chairing the Scottish industry-led Strategic Investment Model Group, a primary outcome of the Collaborative Framework Charter, which aims to develop innovative approaches to collaborative investment;
- Projects aimed at developing capability to deliver the offshore wind pipeline, specifically: the Industrial Growth Plan, which aims to grow the offshore wind supply chain in order to accelerate and de-risk delivery, as well as grow market share and technology leadership for the UK;
- Groups run by key stakeholders on important subjects such as the Scottish Land Commission's Community Benefits group and Scottish Renewables' Fisheries group;
 - NatureScot's Scottish Marine Environment Enhancement Fund;
 - Scottish Government groups on subjects such as marine planning, climate change and land management

Penny Coles, Head of Partnerships, said: "Collaboration is a core value for CES, and with good reason. No single organisation can tackle opportunities and challenges

alone, whether they relate to global issues such as climate change or more localised ones such as unlocking opportunity in our regional economies. Some of our most important work is done in collectively removing barriers to progress, finding new approaches, and working in effective partnerships".

What We Delivered

- 1 Support for offshore wind supply chain investment, working with SOWEC, economic development agencies, local authorities and other partners. This included a significant investment opportunity at Nigg, anticipated to be completed in 2024-25.**
- 2 Progress towards our medium-and-long-term planning objectives, including drafting our 2026-31 Corporate Plan.**
- 3 Continued implementation of green travel & office plans; continued development of our Value Reporting Framework; and beginning a scoping exercise on opportunities for adaptation across the Scottish Crown Estate.**
- 4 A refreshed Learning & Development offer and the design of a programme of organisational development to enhance productivity and capability.**
- 5 A review and update of all Health & Safety (H&S) management policies and preparations for the implementation of a new H&S management system in 2024-25.**

1.3 Forward look for 2024-25 and beyond

2024-25 will see us move towards the implementation of our new 2026-31 Corporate Plan setting out how we aim to evolve and diversify the Estate and the income from it. Alongside this, we have a programme of work in place to strengthen CES's resilience as an organisation.

The past year has brought into sharp focus key medium and long-term challenges such as the cost pressures on the public sector, the economic difficulties facing wider society, and the twin crises threatening nature and the climate. CES's new corporate plan will set out how we will respond to these challenges and continue to create lasting value for future generations.

As we enter the final year of our current corporate plan, this means focusing on two central priorities: closing out delivery of our existing commitments and preparing for the new plan by consulting stakeholders and the public on what it should contain while building our capacity and capability to deliver its contents.

The new corporate plan will see CES enter a new phase of development focussed on robustness and resilience. Ensuring financially sustainable stewardship remains at the core of this endeavour, as it allows us to deliver on our statutory duties and drives income and wider value across all our investment portfolios.

To build on our early progress we recognise the need to construct a high-performing and resilient organisation, one that fosters equality and attracts, retains and develops talent in a competitive labour market. This means evolving in a way that maintains the right balance of in-house expertise and outsourced support. We are also expanding our team of Directors to acquire leading knowledge and experience in areas of growing importance such as decarbonisation and marine natural capital.

CES has a key role to play in the just transition. 2024-25 will see us continue our long-term approach to managing seabed and coastal assets in order to ensure that Scotland's blue economy delivers social and environmental as well as economic value. Following on from the awarding of 12 INTOG Exclusivity Agreements, we will continue to work with developers to bring these and the 20 ScotWind projects forward.

To further address the climate and nature crises, we will refine our long-term approach to how we optimise benefits from natural capital - both on land and at sea - and gather more information on the impact of different activities on the Estate. Our support for restoring nature, adopting sustainable and regenerative agricultural practices, fostering biodiversity and funding environmental projects through our Sustainable Communities Fund will continue.

Finally, we remain committed to supporting the agricultural and land reform programmes and the development of resilient communities. Our pilot programme enabling some farmers on secure tenancies to buy or relinquish farms that they currently lease is progressing as is development of the Community Land Accelerator (CLA) to help communities own local assets. Similarly, we will continue working alongside communities in Whitehill and Mosstodloch to unlock investment in local infrastructure and new homes.

To maximise our ability to deliver on our targets, we have conducted a review of our corporate structure, identifying areas where additional resources are required to deliver the next corporate plan. We remain steadfast in our belief that CES is uniquely positioned to deliver value for the people of Scotland by helping build an economy and society that is resilient, fair, and sustainable.

1.3.1 Opportunities, uncertainties and risks

Below we note uncertainties and opportunities for each area of the business and then highlight specific risks. Risk management is covered in Section 2.

Our 2024-25 Business Plan and draft 2026-31 Corporate Plan include a range of mitigations as well as actions to unlock opportunities.

The final 2026-31 Corporate Plan will be informed by a long-term scenario planning exercise undertaken in 2023-24 and designed to help CES identify and respond appropriately to uncertainties, risks, and opportunities.

An increasing proportion of CES gross revenue (e.g. from offshore renewables, finfish, and some coastal assets) is production-based and subject to volatility based on external factors. This uncertainty is managed through frequent and regular engagement with customers as well as in-year reforecasting and longer-term sensitivity-based modelling.

Marine – Energy & Infrastructure (E&I)

- Offshore wind is the premier industrial and economic opportunity for Scotland. CES is working within a landscape of Scottish and UK wide public sector partners to support this growth and deliver offshore wind. Both the Scottish Government's Energy Strategy and Just Transition Plan and Green Industrial Strategy will continue to enhance clarity and direction for Scotland's growth.
- Progress is being made on securing supply chain benefits for Scotland, facilitated by our Supply Chain Development Statements and the CES-supported Strategic Investment Model. Significant government funding is being made available. However, much remains to be done in, for example, housing for the workforce.
- Competing demands/uses for marine space (including energy, fishing, shipping and defence) means co-operation and collaboration is critical in achieving co-location.

Risks

- Grid constraints, transmission costs, inflationary pressures and uncertainty concerning environmental impact mitigations may lead to attrition in the offshore wind pipeline, impacting CES revenues and wider supply chain development. Mitigations include contributing to sector initiatives (e.g. Offshore Wind Industrial Growth Plan), enabling actions to remove barriers to development, sensitivity based revenue modelling, and work with stakeholders on optimising use of the seabed.

Marine – Aquaculture

- Improvements in the streamlining of regulation processes are to be piloted following the Scottish Government's Aquaculture Regulatory Process Review published 10 February 2022.
- The finfish sector continues to advance innovative techniques 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 growth.
- There is a need to understand how pressures such as climate change and disease are impacting the industry, especially salmon farming.

Risks

- The marine environment is increasingly busy, requiring careful management of competing interests and identification of opportunities to optimise seabed use. In addition, local communities and interest groups remain concerned regarding the growth of the finfish sector. We continue to work with partners to optimise spatial management as well as support [research and collaboration to further innovation and](#) enhance engagement between industry and community interests.

Coastal

- Confidence in the ports and harbours sector is high, with significant investment underway in manufacture, assembly, operation & maintenance facilities for offshore renewables, alongside general port activity. The need for temporary storage as part of the manufacturing process of floating offshore wind turbines is also coming into focus.
- Proactive development of ports & harbours infrastructure - such as the manufacturing opportunity we have worked to realise at Nigg - will help attract investment
- Boat-based tourism remains resilient. Interest has been noted from boat owners in moving their boats further north, away from traditional cruising waters.
- Development, repair and maintenance of marine assets remains a challenge for our customers, compounded by pressure on public expenditure, volatility in supply chain availability, and pricing.

Risks

- Coastal change compounded by climate change poses short, medium and longer term environmental and economic risks to assets. Work commissioned by CES in 2023-24 started to explore adaptation across terrestrial and coastal assets and 2026-31 will see us develop this further.

Buildings & Place

- Our investment strategy for 2026-31 will be designed to deliver the right investments in built development to unlock value linked to the blue and green economies and help counteract income volatility across the wider Estate.
- CES's long and short-term planning and development strategies feature early community engagement and a plan-led approach. This approach aims to realise opportunities to deliver financial and non-financial value across a range of land uses.
- There are uncertainties linked to global supply chains being impacted by geopolitical upheaval, in turn generating procurement and tender price volatility, and a shortage of construction workers particularly in rural and remote areas.

Risks

- Elevated costs of capital (relative to returns) for development partners in turn impacts viability and affordability for commercial or residential end users. Mitigations include ongoing market analysis and project-specific risk management. In addition, to help develop and implement our new investment strategy, we are advancing work on Total Cost of Management, portfolio monitoring, a new Target Operating Model and reviewing strategic land opportunities.

Rural Land

- The rural sector continues to respond to legislative changes (e.g. new legislation covering agriculture, land reform, housing, and natural environment), new compliance requirements, climate and biodiversity targets, and market and financial drivers. CES will continue to engage and work with tenants and partners to meet these challenges and support new opportunities.
- Tackling the obstacles to providing affordable rural homes is key. These include the availability of land, construction capacity, and responding to high levels of second homes and empty properties.
- Tourism is a key part of a diversified rural economy. Our Glenlivet 2050 project is just one example of how we can respond to place-based opportunities to work with local businesses, local development trusts, public agencies and tenants to address sustainable transport, local employment and visitor management.
- CES continues to look for opportunities to work with tenants and other partners to support the implementation of the Scottish Government's Wild Salmon Strategy, and is exploring how carbon offsetting and other natural capital opportunities may create new revenue streams for CES and tenants.

Risks

- Key risks include the scale of investment required in modernising farms, infrastructure and residential properties to meet new standards, increasing extreme weather events, and the level of engagement and investment required to support a just transition across the rural sector. Actions CES is taking include long-term planning to enhance how we prioritise capital expenditure, work to identify potential climate risks and associated adaptation measures, and a range of measures related to just transition in agriculture.

2 Performance Analysis



2. Performance Analysis

Our corporate plan details a range of KPIs and targets covering our five strategic objectives.

These targets are reflected in each annual business plan, which in turn cascades down into performance objectives. Our comprehensive assurance framework identifies and documents assurance on key business functions and activities.

Progress on plan delivery is tracked throughout the financial year through:

- Quarterly reporting to the Board;
- Monthly leadership and team meetings; and
- Our recently-refreshed performance management process.

Following the extension of the current corporate plan to March 2026, we are currently in the process of developing KPIs and targets for the new corporate plan period of 2026-31.

The table below lists all KPIs and targets based on the current corporate plan.

It shows an increase in gigawatt (GW) of offshore renewable energy capacity in seabed agreements following the award of INTOG Exclusivity Agreements. Between 2025 and 2031, this figure may decrease (if there is attrition in the pipeline) or increase (if individual project capacity increases).

The increase in finfish production capacity shown on the table can be attributed to one new lease which has become operational within the year.

Progress committing capital has been slower than planned as supply chain pressures have prevented us deploying capital to the extent we hoped during the year.

Good progress continues to be made on the number of projects relating to sustainable natural resource use

and involving people in how land, coast and seabed are managed. The underlying themes of environmental sustainability and community wealth-building are key to delivering on our statutory duties and will therefore also feature in our new corporate plan.

Excluding ScotWind-related revenues, CES net profit has exceeded the revised target that was set in the 2020-25 corporate plan. However, it was below budget. This was mainly due to unfavourable volatility within aquaculture and offshore wind production based-revenues.

Overall the Estate valuation increased by £12.5m (1.9%) to £665.6m. Within this there was sector specific volatility and this is further narrated later in this section.

In 2023, staff reported lower satisfaction with CES as an employer and with their job compared with previous years. An action plan has been developed to respond to the feedback and longer-term work is being carried out on organisational culture.

In 2023-24, shellfish, finfish and seaweed tenants were surveyed as part of our ongoing research into customer satisfaction.

Results were very strong across the three groups with 88% to 100% reporting high levels of service satisfaction. A summary of research results is on our website. Net favourability among MSPs was up 18% on the previous year. This may reflect investment in engagement and the cohort elected in 2021 starting to become more familiar with CES.

Favourability among local authority Heads of Economic Development was down 14% in 2023 compared to 2022. The research we commissioned did not identify any discernible cause for this change.

Table 1: KPIs and Targets

KPI	March 2025 target	How performance is tracked	Progress at 31/03/24	Progress at 31/03/23
GW of offshore renewables in seabed agreements	No specific target	Ongoing tracking as agreements entered into; Annual Report	44.59GW	38.05GW
Production capacity in new finfish agreements	No specific target	Annual Report	17,193 tonnes	13,343 tonnes
Total capital committed	£70m	Quarterly reporting to the Board	£15.9m	£14.2m
No. of projects promoting sustainable natural resource use	No specific target	Approved Investor or Enabler projects promoting sustainable natural resource use	30	26
No. of projects encouraging people to be more involved in how land, coast and seabed are managed	No specific target	Approved / ongoing Enabler projects	19	18
Net revenue	Total of £24m of non-ScotWind net revenue returned to Scottish Government over the 2020-25 period	Quarterly reporting to the Board	£113.2m (of which £16.0m) was non-ScotWind revenue). This means a total of £244.1m in 2020-24 (of which £65.4m was non-ScotWind revenue).	£103.6m from 2022-23 (of which £22.1m was non-ScotWind revenue). This means a total of £130.9m in 2020-23 (of which £49.4m was non-ScotWind revenue). ²
Capital valuation	Valuation increased on March 2020	Annual independent valuation	£665.6m	Scottish Crown Estate valued at £653.1m as at 31 March 2023.
Staff feedback / satisfaction	15% 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	2023 staff survey shows: Satisfaction with Crown Estate Scotland as an employer at 73% (2021-22: 80%) Employee engagement at 74% (Civil Service engagement index for 2023 is 64%)	No staff survey was completed within FY 2022-23. The survey was undertaken in Q1 2023-24.

² The non ScotWind revenue presented for 2022-23 excludes ScotWind interest income (see note 14).

KPI	March 2025 target	How performance is tracked	Progress at 31/03/24	Progress at 31/03/23
Tenant and stakeholder satisfaction	<p>Increase or no change in tenant satisfaction.</p> <p>Increase or no change in stakeholder satisfaction.</p>	Independent surveys covering tenants, MSPs and senior local authority officials	<p>2023 research shows:</p> <ul style="list-style-type: none"> • Net favourability among MSPs 44% • Local authority CEOs' favourability 35% • Local authority Heads of Economic Development favourability 43%³ <p>2023 Aquaculture survey shows tenants rating CES overall performance between 88% and 100%⁴</p>	<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% <p>2022 Stakeholder survey shows a 70% favourable opinion (cf. 2017-18 mean satisfaction of 7.2)</p> <p>2022-23 Property survey shows mean satisfaction rating of 6.5 (cf. 2019- 2020 of 6.7)⁵</p>

3 PA Advocacy interviewed 70 MSPs in September-November 2023, and 17 Chief Executives & 23 Heads of Economic Development in April-May 2023.

4 Axiom Consulting surveyed 100 tenants in May 2023. 60 respondents replied (60% response rate)

5 PA Advocacy interviewed 70 MSPs in September-November 2022, and 17 Chief Executives & 23 Heads of Economic Development in May-June 2022. Axiom Consulting surveyed stakeholders in March and April 2022. 32 respondents replied (56% response rate). 2022-23 Property survey includes all categories of tenants. 2019-20 surveys did not include sporting, recreational, industrial, and miscellaneous tenants

2.1 Managing uncertainties and risk

This section covers uncertainties and risks related specifically to CES. Sector-specific uncertainties and risks are outlined in Section 1.

CES maintains a Risk Management Framework, overseen by the Audit & Risk Committee. The medium-term impacts of strategic risks are monitored by this Committee. In addition, the Investment Committee tracks sector trends through regular market updates.

CES'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 responsibility fit into it; and
- Facilitate review and monitoring of risks.

In 2023-24 we started a review of this Framework to ensure that it reflects the external environment in which CES operates. An updated Framework will be implemented in 2024-25 ahead of the new corporate plan period of 2026-31.

In addition, 2024-25 will see us design and set-up a portfolio monitoring dashboard to identify opportunities and risks and carry out a holistic risk review of property assets and activities to identify exposure to development risk versus stabilised income risk and inform future investment and divestment direction.

The Act enables Scottish Ministers to transfer or delegate management of specific Scottish Crown Estate assets to other eligible bodies. There is the potential for any transfer or delegation to impact the delivery of corporate plan objectives or specific targets e.g. net revenue.

To date, no transfer or delegation has been approved by Ministers. We continue to track this through our established monitoring and reporting mechanisms.

Further risks are summarised below.

Table 2: Extract from risk register (as at March 2024)

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).	<p>New Health & Safety (H&S) policy framework, processes, training and reporting in place.</p> <p>Development of strong H&S culture including monitoring of mandatory training.</p> <p>Improved incident reporting.</p> <p>Robust audit procedures and Director assurance process.</p> <p>Monitor changes in legislation and case law and action as appropriate.</p> <p>Internal audit recommendations implemented in new managing agents' contracts.</p>
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.	<p>Implement People Strategy, aligning with Fair Work principles.</p> <p>Business Improvement Director to manage change programme recruited.</p> <p>L&D programme rolled out.</p> <p>New strategic workforce plan developed in 2024-25.</p> <p>New performance management and competency frameworks.</p> <p>Strong relations with recognised union, PCS.</p>
Reputation	Loss of systems, information and business continuity results in organisational failure.	Reputational damage and loss of key business information; recovery costs.	<p>Up-to-date policies and emergency response procedures in place.</p> <p>Additional cyber security measures implemented annually. Mandatory training.</p> <p>Ongoing testing and audit of system robustness.</p>

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.</p> <p>Ongoing programme of research and knowledge exchange.</p> <p>Proactive support of research to inform development of CES approach on blue carbon, marine natural capital, and climate adaptation.</p>
			<p>Emergency response procedures in place.</p> <p>Lease terms identify responsibilities for environmental management.</p> <p>Compliance evidence and incident reporting embedded in managing agent contracts.</p>
Reputation	Failure to appropriately manage offshore wind leasing.	Damage to reputation and to delivery of wider value.	<p>Active management of INTOG leasing.</p> <p>Proactively publish information on leasing and ensure communications reflects wider value related to supply chain. Ensure access to right expertise by expanding energy team and securing consultancy services as required.</p>
Financial	Increasing proportion of gross revenue is from production-based agreements.	Gross revenue significantly below budget over one or more years.	<p>Frequent and regular engagement with customers. In-year reforecasting.</p> <p>Longer-term sensitivity-based modelling.</p>

Market conditions

The fair value of our investment properties has modestly increased this year (1.9%) against a backdrop of economic uncertainty (high inflation, sluggish growth, and 2023 ending in a technical recession).

The chief driver of increased value (continuing the trend of recent years) has been the development, deployment, and operation of offshore projects, alongside continued aquaculture growth.

Scottish offshore wind operational capacity stood at 2.973GW on 31 March 2024, with live construction projects set to add an additional 1.332GW, further confirming projected long-term growth across the industry.

Aquaculture remains the fastest growing food supply sector globally with UK revenue forecast to grow at an average annual compound rate of 1.4% over the five years through 2023-24 and total 2023 revenue measured at £1.5bn. Salmon produced in Scotland continues to be a dominant force in the market, with aquaculture helping sustain jobs and wider economic activity in the rural and coastal communities of the north and northwest.

The value of the property at George Street, Edinburgh, increased slightly due to positive investor sentiment now that the St James' Quarter is fully let. The Executive Team is progressing an options review for this asset.

There has been a general decline in rural property values, driven in part by a drop in sporting licenses, and a reduction in value of ZeroFour, Montrose, as CES more fully scope opportunities for this site.

Whilst market changes are negatively impacting minerals and mining, the significant value reduction for CES comes from a Mines Royal tenant ceasing production and the mine is now in a care and maintenance regime.

While CES's forestry value has decreased by 2% due to felling of mature stock and storm damage, the forestry market remains strong. Interest rates continued to rise during 2023 and timber prices remained largely flat, but there is continued demand for quality commercial forests with plantation values broadly holding steady year-on-year.

2.2 Overview of financial performance

Table 3: 2023-24 and 2022-23 revenue and valuation

	2023-24 £m	2022-23 £m
Total gross revenue (including interest income)	135.6	118.9
Total net revenue	113.2	103.6
Total property valuation	665.6	653.1

In 2023-24 we generated £113.2m for the public purse and are proud to make this contribution to Scotland's public spending.

Some of these funds will be redistributed by Scottish Government to coastal local authorities who have to date been allocated a total of £50.5m to fund projects benefitting coastal communities.

Over the seven years to March 2024, we generated over £270m for Scottish public spending.

We are currently developing our financial budgeting and reporting to align with the four CES roles as set out in our current corporate plan (investor, enabler, asset manager and coordinator) and to reflect revised asset classes: Marine (Energy & Infrastructure; Aquaculture); Buildings & Place; Rural Land; and Coastal.

Table 4: 2023-24 and 2022-23 gross revenue (excluding interest income)

	Gross revenue 2023-24 £m	Gross revenue 2022-23 £m	Notes on variances in 2023-24
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	3.9	3.8	
Coastal	4.7	4.7	
Marine (Energy & Infrastructure)	91.6	92.3	Reduction in revenue mainly due to negative volatility in offshore wind production revenue.
Marine (Aquaculture)	11.4	6.3	Increase in aquaculture revenue mainly due to the full year effect in 2023-24 of the change in terms introduced to fin fish leases in January 2023.
Urban	1.3	1.3	Similar revenue as the property remained fully let through the period.
Total	112.9	108.4	

Net revenue profit

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

Table 5: 2023-24 and 2022-23 summary of revenue account

	2023-24 £m	2022-23 £m	Notes on variances in 2023-24
Gross revenue	112.9	108.4	See previous table.
Direct costs	(9.9)	(6.5)	Increase mainly due to increased repair expenditure on the rural estate.
Interest income	22.7	10.5	Increase driven by increased interest rates.
Indirect costs	(7.3)	(5.7)	Increase in staff and non staff costs to reflect the growth in activities of the business.
Operating profit	118.4	106.7	
Transfers to capital account	(4.9)	(2.8)	Increase in statutory transfer from 9% of prior year gross revenue in 2022-23 to 13% (excluding ScotWind) in 2023-24.
Depreciation	(0.3)	(0.3)	
Net revenue profit	113.2	103.6	

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: 31 March 2024 and 31 March 2023 asset valuation

	31 March 2024 valuation £m	31 March 2023 valuation £m	Notes on variances since 31 March 2023
Rural (agriculture, forestry, river fishing rights, residential, minerals and naturally occurring gold & silver)	153.7	160.2	General decline in rural values driven in part by a drop in the value of sporting licences and some development properties.
Coastal	42.6	41.3	
Marine (Energy & Infrastructure)	390.7	376.9	Offshore wind continues to be 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, including ScotWind and INTOG.
Marine (Aquaculture)	70.3	66.8	Continued strength in the UK aquaculture sector
Urban (39-41 George St, Edinburgh)	8.3	7.9	Increased slightly due positive investor sentiment in central Edinburgh
Total	665.6	653.1	

Capital

As at March 2024, we have built up £55.1m of capital funds for investment.

Our current investment strategy sets out priority areas for ensuring capital is invested to deliver a long-term return and wider benefits, and our 2024-25 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 CES.

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.

2.3 Calculating Value

The Estate is made up of 21 asset classes, which vary in value and number of agreements. This diversity of assets help us manage risk and creates ongoing opportunities in relation to enhancing value and income and generating social, economic and environmental benefits.

Table 7: Asset classes value and number of agreements

Asset	Value at 31 March 2024 £m	No. of Agreements
Carbon Capture and Storage	0.02	1
Coastal Cables and Pipelines	4.8	792
Commercial Property	8.9	30
Farming	79.4	225
Finfish Farming	69.6	282
Forestry	47.6	1
Offshore Wind	355.3	76
Marinas and Moorings	5.9	814
Marine Cables and Pipelines	35.1	53
Ports and Harbours	18.3	213
Minerals and Mines	1.5	32
Other Rural	3.2	132
Other Built Environment	0.1	-
Other Seabed	13.4	717
Development Property	0.3	2
Residential	10.2	54
Salmon Fishing Rights	4.7	119
Seaweed	0.02	29
Shellfish Farming	0.7	282
Sporting	6.1	31
Wave and Tidal	0.5	14
Total	665.6	3,899

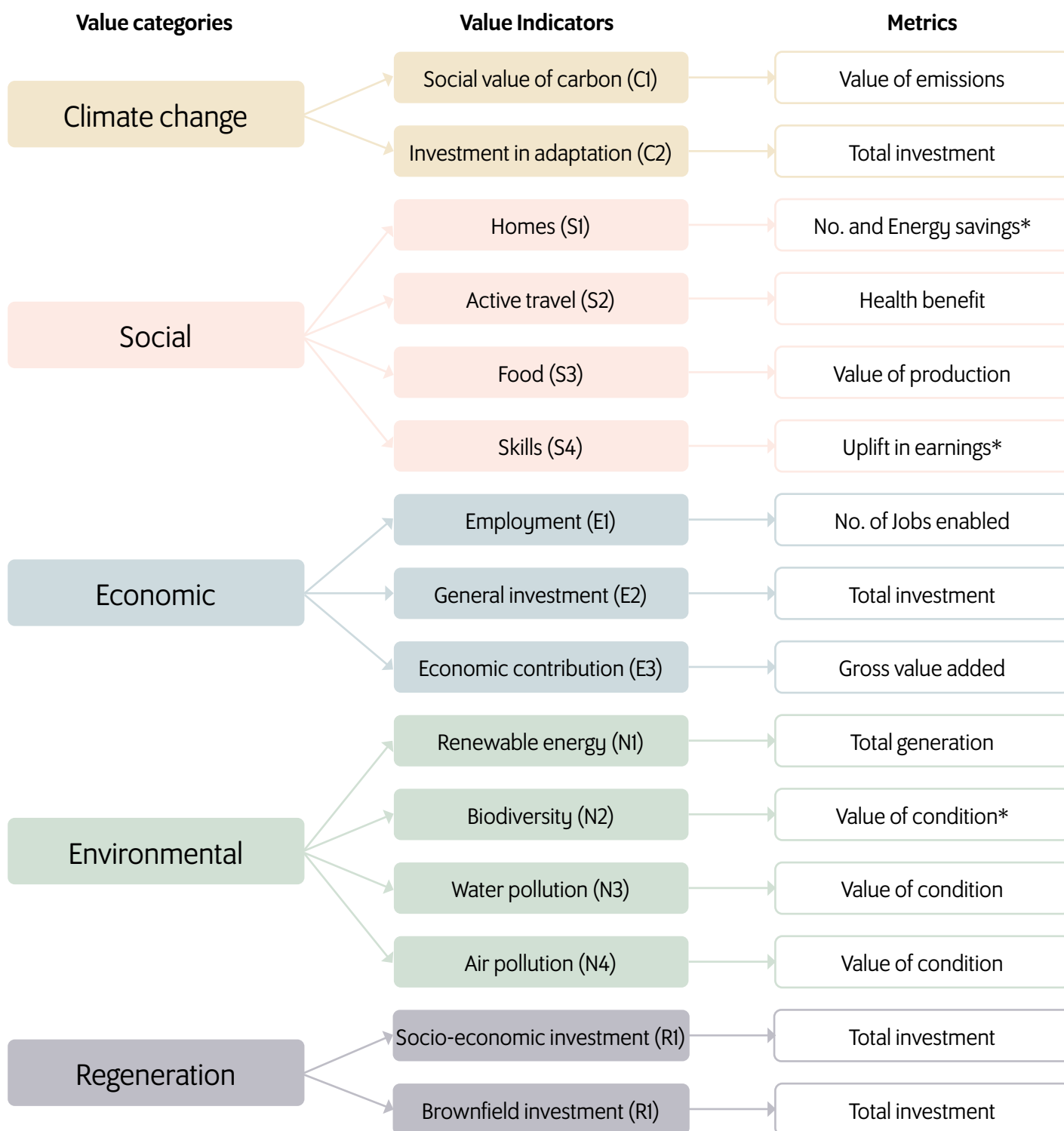
While the financial success of our assets can be measured through traditional metrics, the wider value delivered by our activities requires the introduction of new indicators and metrics to provide a more measurable understanding of their benefit to the people of Scotland.

The Value Project started in 2019 as a direct response to this need to define the wider value of CES's activities. In 2023, with the help of Savills Earth we completed development of our new Value Reporting Framework (VRF). This framework will support CES to shape data gathering to inform non-financial metrics and will help to inform our future decision-making, reporting, and monitoring processes.

The VRF seeks to measure the value created through all of CES's activities, producing quantitative and qualitative data for investment case decision making and annual reporting. To achieve this a systematic process for measuring value was developed, in which our five wider value categories – climate change, social, economic, environmental and regeneration – were individually assigned a specific value indicator, with each indicator directly tied to its own value creation metric.

Measuring value

In the first step, the five existing value categories were subdivided in 'value indicators' to reflect the range of activities and impacts across CES' portfolio. Quantifiable metrics were then identified for each indicator. These metrics will be reviewed to ensure relevance in the long-term and will inform future wider value measuring and reporting.



*Methodology still under review

The work detailed in section 1 demonstrates how CES is developing its approach to accurate calculation of total value generation.

To fully integrate the wider value indicators, we will begin developing the necessary data collection systems, with an estimated first year roll-out plan as below. We anticipate that new indicators will be added in each new reporting period based on the progress of our data collection.

Year 1:

Climate Change



Social value of carbon (C1)
£252 per tonne of CO₂

Value of emissions
-£21,131

Economic



Employment (E1)
£6.0m

No. of direct jobs
80

Economic



General investment (E2)
£1.7m

Total investment
£1.7m

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.

2.3.1 Forward look

CES 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.

Revenue

Gross revenue (excluding interest) for 2024-25 is budgeted to be £119.1m. This includes anticipated £75.6m ScotWind option fees which generate a 10-year temporary increase in revenue as those fees are released, ending in 2032.

This is a decrease of £10.8m on 2023-24 (as set out in the 2023-24 Business Plan). This will generate an estimated £114.3m for Scottish Government public spending.

Total costs include maintenance, repairs, managing agents and other 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 2024-25 revenue budget includes:

- Gross revenue of £75.6m from ScotWind option fees;
- £43.5m gross turnover from non ScotWind assets;
- Total costs increasing from last year's budgeted £18.4m to £23.6m as we continue to invest in the assets and build our team; and
- £3.2m for enabling activities, some joint-funded with Scottish Government, to further sustainable development. These include costs associated with 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 and engagement.

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.

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, dredging) as well as statutory transfers from revenue as provided for under the Act.

For 2024-25, we have allocated up to **£22.7m** for capital investment (cf. 2023-24 budget of **£23.0m**) covering acquisitions as well as other expenditure. Receipts are expected to total **£16.3m**, giving a net capital investment of **£6.4m**.

The capital budget for 2024-25 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;
- Development costs relating to Whitehill Estate in Midlothian and Mosstodloch in Moray; and ZeroFour near Montrose; and
- **£6.3m** 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

At 31 March 2024, Crown Estate Scotland had 78.4 FTE staff (more detail is in section 3.4), up from 71.5 FTE in 2023. Our current business model is based on a core inhouse team with support from managing agents. This provides flexibility and access to a wide range of expertise while helping us manage costs.

Over the past year, a key focus has been refreshing our Learning and Development (L&D) programming in order to better align it with our business objectives.

This included:

- A successful comprehensive tendering process for leadership development;
- Customised development sessions designed and delivered to enhance performance management; and
- Tailored project management training rolled-out resulting in 22 employees attaining Association for Project Management (APM) qualifications.

Over the past year we also continued to implement wellbeing, diversity and team building programmes to foster a positive work environment. These include:

- Delivering our Wellbeing Matters programme, covering financial, mental, social, and physical and wellbeing support for staff;
- Continuing work to build stronger teams and enhance organisational culture, including sessions for staff on inclusion and allyship and refreshing policies;
- Maintaining our Living Wage employer accreditation; and
- Completing the first stage of an organisational review to bolster capacity, capability and resilience.

In 2021-22 we developed our first Equality, Diversity and Inclusion plan covering corporate activity and how the assets in our care are managed. 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 an item on Board, senior management, staff and team meeting agendas.

In 2023-24 a new project delivery team was set up to support the development of the new H&S Management System led by an in-house Project Manager and supported by EDP, our external H&S consultants. The project will be developed in alignment with ISO 45001 standard, identifying Roles and Responsibilities and consists of H&S Managements Procedures (HSMP) and Operational Procedures.

The objectives are to:

- Enhance workplace safety and reduce the risk of accidents and incidents;
- Improve morale and engagement by demonstrating that employee wellbeing is a priority;
- Demonstrate CES's commitment to providing a safe and healthy work environment for employees and other stakeholders; and

- Ensure compliance with legal and regulatory requirements related to occupational health and safety.

The H&S working group has been working alongside the CES H&S Committee members and Managing Agents to review and update all existing H&S Policies across the organisation. These have been completed and will remain

in operation until the new H&S Management system is developed.

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

Table 8 shows recorded accidents and near misses related to staff in 2023-24 compared to 2022-23.

Table 8: 2023-24 and 2022-23 staff accidents & near misses

	2023-24	2022-23
Near misses	4	5
Accidents	1	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 9: 2023-24 and 2022-23 FOISA and EIR requests and responses

	2023-24	2022-23
Requests for information received	46	51
Requests for information responded to	44	51
Percentage of requests responded to within 20 working days (or within 40 days for a complex EIR request)	98%	96%
Average response time (working days)	12	13
Number of reviews carried out	2	1
Number of cases appealed to the Scottish Information Commissioner	0	0
Decisions issued by the Scottish Information Centre	0	0

Information in the above table is subject to change given statutory limits for reviews and appeals are ongoing into 2024-25. Figures as of 31 March 2024.

Appeals

We received two requests for review in the period covered by this report.

One review was upheld in favour of the initial response. The second review was partially overturned, and more information was provided to the applicant.

Training

Training on FOISA and 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 the period of this report two complaints were received and recorded by us (one more than was received and recorded in the previous period). Both were responded to within the time periods set out in the complaints handling procedure.

2.4.4 Environmental Sustainability

Our approach to sustainability has evolved significantly over the current corporate plan period.

In 2021, we developed a Climate Change Action Plan (CCAP) which included commitments related to the Estate (such as leasing seabed for offshore wind) and related to the business (such as implementing our Green Office and Travel Action Plan).

As at March 2024, 19 out of 23 actions in CCAP are green, one - switching to less polluting utility vehicles on the rural estates - is red, and three are amber.

We also have mandatory climate change and biodiversity reporting requirements, and are exploring and scoping how we can best embed sustainability in our 2026-31 Corporate Plan activity.

Climate change reporting

The [Climate Change \(Scotland\) Act](#) requires us, as a public body, to report annually to the Scottish Government on our greenhouse gas emissions and climate impact. This information is calculated and then submitted each November.

Reporting aims to increase transparency, drive emissions reductions and help Scotland achieve its goal of net zero emissions by 2045.

The figures below compare our greenhouse gas emissions across 2021-22 (our first reporting year) and 2022-23. We submit reports each November to Sustainable Scotland Network (SSN), following the guidance provided by Scottish Government and SSN, on emissions for the preceding financial year.

Scope 1 covers direct emissions from sources owned or controlled by us, e.g. fuel consumption. In 2021-22, Scope 1 emissions were 31.754 tCO₂e. In 2022-23, these decreased by 14% to 27.303 tCO₂e. This reduction was driven mainly by lower diesel and petrol use in our vehicles at our Glenlivet and Fochabers Estates (down 33.4% and 29.5% respectively).

Scope 2 accounts for indirect emissions from purchased electricity consumed by us. Scope 2 emissions were 6.138 tCO₂e in 2021-22 and increased by 14.6% to 7.031 tCO₂e in 2022-23. Our grid electricity use rose significantly at our Edinburgh office (up 116.4%), driving up our Scope 2 footprint. This appears mainly due to increased office use linked to the lifting of restrictions after COVID-19.

Scope 3 covers our indirect corporate emissions such as our business travel and waste. Scope 3 emissions saw the largest increase, rising 56% from 31.748 tCO₂e in 2021-22 to 49.519 tCO₂e in 2022-23.

Table 10: 2021-22 and 2022-23 CO2 emissions

Emission	tCO2e 2021-22	tCO2e 2022-23	% Change
Electricity	9.191	13.121	42.8%
Fuel	32.000	27.606	-13.7%
Homeworking	18.623	18.272	-1.9%
Hotel stays	1.460	3.442	135.8%
Transport	8.166	21.255	160.3%
Waste	0.045	0.044	-2.8%
Water	0.155	0.113	-27.1%
Total tCO2e	69.640	83.853	20.4%

Table 11: 2021-22 and 2022-23 scope-level figures

Scope	tCO2e 2021-22	tCO2e 2022-23	% Change
Scope 1	31.754	27.303	-14.0%
Scope 2	6.138	7.031	14.6%
Scope 3	31.748	49.519	56.0%
Total tCO2e	69.640	83.853	20.4%

Total emissions across all three scopes increased by 20.4% between 2021-22 (69.640 tCO2e) and 2022-23 (83.853 tCO2e).

Key drivers of the overall increase appear to be higher emissions from transport (up 160.3%), hotel stays (up 135.8%), and electricity (up 42.8%). This aligns with typical business activities resuming as the pandemic subsided.

In summary, while Scope 1 emissions fell, increases in Scope 2 electricity and more significantly Scope 3 transport and hotel emissions drove total tCO2e up 20.4% between 2021-22 and 2022-23 as business travel resumed post-pandemic. It is important to note that while increases look dramatic, in tCO2e terms these increases and the overall levels remain relatively small compared to other public sector bodies. However, we continue to work to better understand our emissions and look for ways to reduce them.

Reporting our emissions provides visibility of our carbon footprint. Tracking changes between years shows where we have made progress and where more work might be needed.

Progress in 2023-24 was the review of our Business Expenses Policy to support more sustainable travel options, our new Cycle to Work scheme and improving our approach to office waste management including recycling of furniture and Waste Electrical and Electronic Equipment (WEEE).

Biodiversity reporting

The [Nature Conservation \(Scotland\) Act 2004](#) sets out that all public bodies in Scotland have a duty to further the conservation of biodiversity when carrying out their responsibilities. This is known as the Biodiversity Duty and it requires us to produce a publicly available report on compliance with the duty every three years.

Our second Biodiversity Duty report was published in December 2023. It sets out the work we have been doing to enhance and promote biodiversity across the Estate over the last three years covering:

- The actions taken to protect and enhance biodiversity;
- How we have incorporated measures to protect biodiversity into our wider policies, plans, strategies and decision-making;
- How we have implemented nature-based solutions across the Scottish Crown Estate; and
- How we have involved people and promoted biodiversity to the public.

The report highlights that a significant amount of work has been done across the Estate to deliver a wide range of positive benefits for biodiversity and provides interesting examples, including:

- Our work on the Glenlivet Estate to carry out peatland restoration on Feith Mussach and Glenmullie Moor, which included bird surveys, mapping of the regeneration density, discussions with contractors about the removal of trees, and volunteers from the Wilderness Foundation and a local school removing small sections of spruce while learning about peatland restoration; and
- Projects funded via our Sustainable Communities Fund, which have enabled biodiversity enhancement on tenanted farms through the creation of wildlife corridors, the use of ponds as wildlife conservation sites and the support of angling associations in the removal of invasive non-native species (a total of fifteen projects have received funding).

Both reports are available at <https://www.crownestatescotland.com/corporate/reporting> and our CCAP is at <https://www.crownestatescotland.com/policies/sustainability>.

We have been delighted to continue our involvement with the Scottish Marine Environmental Enhancement Fund (SMEEF), working in partnership with NatureScot and the Marine Directorate of the Scottish Government - an excellent example of the public and private sectors coming together to benefit Scotland's marine environment.

SMEEF provides an opportunity for users of Scotland's marine environment to make voluntary donations to fund marine restoration and enhancement. Throughout 2023-24 we continued to provide funding for SMEEF running costs as well as expert input to the steering group, grants panel and the ethical contribution board.

In accordance with our duties under the Code of Practice for Litter and Refuse (COPLAR), we continue regular litter picks at Glenlivet and are also supporting a marine litter officer post in partnership with the Scottish Islands Federation.

Looking ahead, we will expand our programme of work to enhance sustainability in line with our duties in the Act.

The 2024-25 Business Plan and the draft 2026-31 Corporate Plan set out commitments related to:

- Exploring terrestrial and marine natural capital opportunities;
- Clarifying our position on carbon credits;
- Further enhancing biodiversity on the rural estates;
- Supporting the seaweed and shellfish sectors; and
- Continuing our enabling support for offshore renewables.

The new corporate plan will be accompanied by appropriate KPIs and targets to help track delivery and progress.

2.4.5 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 its environmental impact was routinely considered throughout development. 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 current 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.



Ronan O'Hara

Chief Executive

Crown Estate Scotland

04 December 2024

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

Crown Estate Scotland has a non-executive Board, which is supported by an Audit & Risk Committee (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. Appointment to the Board, including Chair, does not give rise to any contractual relationship between the Board and the Scottish Ministers and/or the Crown. The Crown Estate Scotland Order 2017 (section 5(3)) provides that Scottish Ministers can reappoint a person who is, or has been, a member.

As at 31 March 2024 the membership of the Board was as follows:

Member	Date of First Appointment	Current End Date	Total Length of Term	Current Term
Euan McVicar	28 June 2021 ⁶	30 June 2026	5 years ⁷	Second
Ann Allen	28 June 2021	27 June 2024 ⁸	3 years	First
Katerina Brown	1 June 2022	31 May 2025	3 years	First
Michael Foxley	1 May 2017	31 August 2024 ⁹	7 years	Fourth
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 2025 ¹⁰	8 years	Third
Ailsa Raeburn	1 June 2022	31 May 2025	3 years	First

6 Euan McVicar was appointed as Chair of the Board on 1 July 2023.
7 5 years including 3 as Chair.
8 Ann Allen’s reappointment for a second three-year term has received Ministerial approval. Her second term will end on 27 June 2027.
9 Michael Foxley’s fourth term of appointment has been extended with Ministerial approval from 1 May 2024 to 31 August 2024.
10 Robert McKenzie’s third term of appointment has been extended with Ministerial approval from 1 May 2024 until 30 April 2025.

Amanda Bryan stood down as Chair of Crown Estate Scotland on the appointment of Euan McVicar on 01 July 2023. Euan McVicar served 2 years of an initial 3 year term as a Board Member prior to being appointed as Chair.

As at 31 March 2024, a Public Appointments process is underway to appoint three new members to take up post to fill the vacancies left by the appointment of Euan McVicar to Chair and that will be left following the upcoming departure for Michael Foxley and Robert Mackenzie.

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 2023 to 31 March 2024, the Board held six formal meetings, including two extraordinary meetings. The Board convened for other purposes including a risk workshop on 18 January 2024 and two corporate strategy sessions on 19 February and 21 March 2024. Agendas, minutes and papers from quarterly and extraordinary 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 agreed by the Marine Directorate of the Scottish Government and the Accountable Officer, 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. He has, along with the other Members, corporate responsibility for ensuring that Crown Estate Scotland fulfils the aims and objectives set for it by the Scottish Ministers, including those set out in the Strategic Management Plan for the Scottish Crown Estate and 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 the Audit and Risk Committee and oversight and scrutiny of investment activity to the Investment Committee and receives the minutes from each committee meeting together with quarterly reports from the chairs of those committees as well as recommendations for decision. The Board has approved a scheme of internal delegated authority for the organisation with the Audit and Risk Committee having oversight of the operation of that delegated authority.

A Remuneration Committee was established by the Board in June 2022 to provide governance oversight of how Scottish Government's annual Pay Strategy will be implemented across all Crown Estate Scotland pay bands, including the Chief Executive, Chair and Board Members, paying particular regard to equal pay. The Committee, chaired by Jean Lindsay, met three times during 2023-24.

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 under Section 37 (1) of the Scottish Crown Estate Act 2019, on 16 October 2023 and 20 December 2023. The Accounts Direction issued on 12 March 2021, reported in previous accounts, is a standing direction and therefore applies to the 2023-24 accounts. 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, approving and confirming project or policy initiatives before they proceed, for keeping proper records, and for safeguarding the assets managed by 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 judgment 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 controls that supports the achievement of Crown Estate Scotland's policies, aims and objectives whilst safeguarding public funds and the assets under management.

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;
- 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 (Interim Management) Order 2017, operates under that Order and in accordance with the provisions of the Scottish Crown Estate Act 2019 and the Framework Document. The organisation has been designated as a public corporation.

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

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

3.3.2 Audit & Risk Committee

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. Other non-executive board members who served on the Committee during the reporting period were Katerina Brown and Ann Allen. ARC maintains oversight of internal and external audit, financial, risk and governance performance and H&S. ARC operates independently of 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, and assesses its performance against Handbook criteria annually. In May 2023, an Internal Audit report provided assurance on CES's eligibility for the Chartered Governance Institute Kitemark further to three consecutive years of governance audits. In 2023-24 the Committee met on four occasions in accordance with its Terms of Reference.

3.3.3 Investment Committee

Investment Committee is chaired by Ailsa Raeburn who took over the role from Euan McVicar on 1 July 2023. Euan McVicar remained a member of the Committee after stepping down as Committee Chair. Other members who have served on the Committee during the reporting period are Michael Foxley and Liz Leonard. The Committee retains oversight of the organisation's investment strategy and performance against strategic investment objectives, considers and advises the Board and the Accountable Officer on proposals relating to the acquisition and disposal of assets. In 2023-24 the Committee met on four occasions in accordance with its Terms of Reference.

3.3.4 Remuneration Committee

Remuneration Committee is chaired by Jean Lindsay. Other board members who serve on the Committee are Katerina Brown and Robert Mackenzie. The Committee provides governance oversight of how Scottish Government's annual Pay Strategy will be implemented across all Crown Estate Scotland pay bands, including the Chief Executive, Chair and Board Members, paying particular regard to equal pay. The Committee agrees the pay remit/pay proposal to be submitted to the Sponsor Team for approval; approves the negotiating parameters for the pay negotiations with the trade union, where appropriate, and approves the final position on behalf of the Board. The Committee also approves the Crown Estate Scotland Pay and Reward Strategy relating to all staff below CEO Grade. In 2023-24, the Committee met on three occasions.

3.3.5 Board and Committee performance

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

As at 31 March 2024, the Board is putting in place arrangements for an external review of its effectiveness commencing in May 2024 with a view to there being an independent review of governance every three years going forward in line with good practice.

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

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 the CES website, together with

the Board members' Register of Interests.

3.3.6 Board and Committee attendance

	Board	Audit & Risk Committee	Investment Committee	Remuneration Committee
	6 meetings held in year	4 meetings held in year	4 meetings held in year	3 meetings held in year
Board Member	Meetings held in membership period/ (Meetings attended during membership period)	Meetings held in membership period/ (Meetings attended during membership period)	Meetings held in membership period/ (Meetings attended during membership period)	Meetings held in membership period/ (Meetings attended during membership period)
Euan McVicar (Chair)	6(6)	-	4(4)	-
Ann Allen	6(5)	4(4)	-	-
Katerina Brown	6(2)	4(3)	-	3(3)
Michael Foxley	6(5)	-	4(4)	-
Liz Leonard	6(5)	-	4(3)	-
Jean Lindsay	6(4)	-	-	3(3)
Robert Mackenzie	6(6)	4(4)	-	3(3)
Ailsa Raeburn	6(6)	-	4(4)	-
Amanda Bryan (Previous Chair)	1(1)	-	-	-

3.3.7 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 Programme Management Office (PMO) in 2022, Crown Estate Scotland commenced a review of project governance and identified areas where project reporting and monitoring might not be in full compliance with relevant provisions of the SPFM. Over the course of 2023 the issues identified with project governance in 2022 have been fully addressed through a combination of external consultancy support and the appointment of additional internal resource. In addition, formal project management training has been rolled out to staff and work has started to establish a new Target Operating Model (TOM), with an increased emphasis on capital delivery and investment.

To complement its procurement strategy and internal procurement policy, CES has established a network of procurement champions across the business to provide peer support and enhance procurement capacity in the organisation. CES continues to utilise government frameworks available to it to ensure it achieves value for money. The most recent annual procurement report was published in February 2024 and is available on the website: [Procurement | Crown Estate Scotland](#)

3.3.8 Risk and internal control framework

As at 31 March 2024, risk management arrangements appropriate to 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.

AECOM were appointed in 2023 to support a review of CES risk management systems. Workshops were conducted with senior management on 28 November 2023 and with the Board on 18 January 2024 with a view to an updated risk policy and risk register being adopted in May 2024.

3.3.9 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:

- Amendment of the terms of the coastal management contract and implementing lessons learned;
- The absence of a long-term settlement on conversion of revenue to capital and implications for investment in the estate;
- Effectiveness of systems for reviewing and reporting on the performance of investments;
- Workforce planning and expansion and implications for business performance;
- Reputational and resource implications of external scrutiny relating to ScotWind, INTOG and proposed Nigg investment.

3.3.10 Internal Audit

The contract for the provision of internal audit services was re-tendered during 2022-23 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

Accountable Officer, Executive Team and ARC on behalf of the Board. This included six completed audits and one in progress, which received the following levels of audit assurance, and a follow-up audit review of actions.

Strategic Planning (Moderate)
Sustainability Planning (Moderate)
Investment Strategy (Moderate)
Tenant Engagement (Moderate)
Forestry Management (Moderate)
Financial Planning (Moderate)
Data Protection (in progress)

The internal audit opinion issued by BDO LLP to ARC on 25 June 2024 gives the following positive and above the line internal audit opinion:

In our view, based on the reviews undertaken during the period, and in the context of materiality:

- *In all areas reviewed, (based on our verification reviews and sample testing), risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.*
- *Note that the data protection review was in progress at the time of completing the annual report.*

3.3.11 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 2024.

3.3.12 Personal Data Related Incidents

Crown Estate Scotland had no significant or reportable data-related incidents during 2023-24.

3.3.13 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 <https://www.crownestatescotland.com/corporate/reporting>

3.3.14 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.

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

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.



Ronan O'Hara

Chief Executive and Accountable Officer
Crown Estate Scotland
04 December 2024

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 Strategy. The annual pay award is negotiated with our recognised trade union, PCS, within the parameters set by Scottish Government Pay Strategy.

In 2023-24 we received a Pay Claim from PCS on behalf of staff. Following negotiations, we implemented a two-year pay award in January 2024. Elements of the pay award were backdated to 1 April 2023 with others taking effect from 1 January 2024. The stages of the 2024-25 element will take effect from 1 April 2024 and 1 January 2025. This award was in line with the parameters outlined by Scottish Government.

A Remuneration Committee was established by the Board in June 2022 to provide governance oversight of how Scottish Government's annual Pay Strategy will be implemented across all Crown Estate Scotland pay bands, including the Chief Executive, Chair and Board Members, paying particular regard to equal pay.

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 2017 Order and in line with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, as issued by

the Commissioner for Ethical Standards in Public Life in Scotland. Fees are determined by 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	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Ann Allen (Non-executive member, Chair of the Investment Committee until September 2022) ¹¹	5-10	0-5	1,500	-	5-10	0-5
Katerina Brown (Non-executive member) ¹²	5-10	0-5	-	-	5-10	0-5
Amanda Bryan (Non-executive member, Chair of the Board until 30 June 2023) ¹³	10-15	20-25	300	2,800	10-15	25-30
Dr Michael Foxley (Non-executive member)	5-10	5-10	-	400	5-10	5-10
Liz Leonard (Non-executive member)	5-10	5-10	200	300	5-10	5-10
Jean Lindsay (Non-executive member, Chair of the Remuneration committee from June 2022)	5-10	5-10	100	200	5-10	5-10
Andrew MacDonald (Non-executive member) ¹⁴	-	0-5	-	-	-	0-5
Robert Mackenzie (Non-executive member, Chair of the Audit & Risk Committee)	5-10	5-10	700	400	5-10	5-10
Euan McVicar (Non-executive member, Chair of the board from 01 July 2023, Chair of the Investment Committee from September 2022 to 30 June 2023)	30-35	5-10	-	-	30-35	5-10
Ailsa Raeburn (Non-executive member, Chair of the Investment committee from 01 July 2023) ¹⁵	5-10	0-5	3,200	900	5-10	0-5
Alister Steele MBE (Non-executive member) ¹⁶	-	0-5	-	-	-	0-5

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.

¹¹ on sabbatical between 15 September 2022 & 31 March 2023

¹² appointed on 01 June 2022

¹³ stepped down 30 June 2023

¹⁴ stepped down on 30 April 2022

¹⁵ appointed on 01 June 2022

¹⁶ stepped down on 30 April 2022

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 08 September 2022.

	Salary £'000		Pension Benefits ¹⁷ £'000		Other remuneration £'000		Total £'000	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Simon Hodge – Chief Executive until 15 August 2022 ¹⁸	-	40-45 (115-120 FTE)	-	¹⁹	-	-	-	40-45
Ronan O'Hara – Chief Executive from 08 September 2022 ²⁰	115-120	60-65 (110-115 FTE)	45	25	²¹	²²		90-95
Esther Black – Director of Operations	75-80 (95-100 FTE)	75-80 (90-95 FTE)	31	35	-	-		110-115
Oster Milambo – Director of Property	95-100	90-95	38	36	-	-		125-130
Alastair Milloy – Director of Finance and Business Services	95-100	90-95	39	36	-	-		125-130
Colin Palmer – Director of Marine until 31 January 2024	85-90 (95-100 FTE)	90-95	34	37	-	-		130-135
Andrew Wells – Director of Property until 31 August 2021, and Investment Sales and Programme Director from 31 August 2021 to 31 August 2022 ²³	-	20-25 (90-95 FTE)	-	²⁴	-	-	-	20-25
Sian Wilson – Interim Director of Marine from 01 February 2024 ²⁵	60-65 (90-95 FTE as Director)	n/a ²⁶	5	-	-	-		n/a

17 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.

18 FTE salary presented reflects full year salary for Executive Team position.

19 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.

20 FTE salary presented reflects full year salary for Executive Team position.

21 Relocation expenses

22 Relocation expenses

23 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 was been disclosed. FTE salary presented reflects full year salary.

24 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.

25 FTE salary presented reflects full year salary for Executive Team position.

26 Remuneration for staff member in year prior to appointment to Executive Team position not included. Full remuneration for 2023-24 included, including that prior to appointment to Executive Team.

	Accrued pension at pension age as at 31.03.24 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31.03.24 £'000	CETV at 31.03.23 £'000	Real increase in CETV £'000 2023/24
Ronan O'Hara	0-5	2.5-5	63	18	30
Esther Black	10-15	0-2.5	166	130	19
Oster Milambo	5-10	0-2.5	79	37	24
Alastair Milloy	5-10	0-2.5	145	86	28
Colin Palmer	10-15	0-2.5	152	92	18
Sian Wilson	10-15	0-2.5	159	n/a ²⁷	n/a ²⁷

Salary

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

Bonuses

Crown Estate Scotland does not operate a bonus scheme.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The only benefits in kind provided in the period related to the reimbursement of some Board member expenses which are considered by HMRC to be taxable, and a pre-devolution legacy medical insurance benefit provided to a small number of employees. This benefit ended on 31 March 2024.

Exit packages (*subject to audit opinion*)

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

Cash Equivalent Transfer Value (CETV)

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

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

²⁷ N/A as employee not in Executive Team position in year

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

- alpha, otherwise known as the Civil Servants and Others Pension Scheme, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher); or
- A Partnership pension account, which is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General.

Prior to 01 April 2022 there was a third, the Principal Civil Service Pension Scheme (PCSPS) which has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. The final Crown Estate Scotland PCSPS members tapered from PCSPS onto alpha on 01 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% (2022-23: 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 scheme. 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 2023-24, employer's contributions of £1.2m (2022-23: £1.0m) 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)

	2023-24	2022-23	year on year variance (%)
	Value	Value	
Band of highest paid employee's total remuneration £'000	115-120	110-115	4%
Remuneration range £'000	24-120	23-115	n/a
Median total remuneration £	57,285	50,939	12%
Median pay ratio	2.05	2.21	(7%)
25th percentile remuneration £	42,597	41,321	3%
25th percentile pay ratio	2.76	2.72	1%
75th percentile remuneration £	66,506	69,241	(4%)
75th percentile pay ratio	1.77	1.62	9%

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 average mean increase in staff remuneration was 5%. Factors affecting this average include the impact of annual salary increases, changes in distribution of staff numbers both across and within pay bands, arising from length of service, staff turnover and new roles. The majority of new roles that have been created in the year were between the 50th and 75th centile, which has reduced the 75th centile pay ratio. There was a 4% increase in the remuneration of the highest-paid director during the year.

Staff Report

As at 31 March 2024 there were 80 staff in post and eight non-executive members. The split by seniority and gender is detailed below for the total number of persons employed, and by the average number of full-time equivalent persons employed.

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

	Head Count 31 March 24		Head Count 31 March 23		Permanent Staff FTE 31 March 24		Permanent Staff FTE 31 March 23	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	3	5	3	6	n/a	n/a	n/a	n/a
Senior Management	3	2	4	1	3	2	4	1
Other Staff	30	45	27	41	30	44	27	40

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 was one agency contractor in place at 31 March 2024 (nil at 31 March 2023).

Staff turnover was 14.3% in 2023-24, of which 1.3% related to the ending of fixed term contracts. This is compared to 11.7% in 2022-23, of which 27.5% 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](#).

Union officials	2023-24	2022-23
Band of highest paid employee's total remuneration £'000	115-120	110-115
Employees identified as union officials	6	1
Full time equivalent identified as union officials	0.1	-
Proportion of working time spent on facility time by employee		
0% of working time	4	-
1-50% of working time	2	1
51-99% of working time	-	-
100% of working time	-	-
Proportion of paybill spent on facility time (to nearest £000)		
Amount of pay bill spend on facility time	5,000	£1,000
Total pay bill	£6,017,000	£5,106,000
% age of paybill spent on facility time	0.08%	0.02%
Time spent on paid trade union activities as a % of total paid facility time	100%	100%

Staff Costs (subject to audit opinion)

	2023-24 £m	2022-23 £m
Wages and salaries	4.3	3.6
Social security costs	0.5	0.5
Pension costs	1.2	1.0
Total costs	6.0	5.1

Sickness Absence Data

Our level of sickness absence for 2023-24 was 3.1 average working days lost per employee (AWDL) (cf. 2022-23 4.2). Adjusting for incidences of long-term sickness (>14 days) the average number of days lost per employee was 1.3 days (cf. 2022-23 1.7 days).

Staff Policies

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

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

- Eliminate unlawful discrimination, harassment, victimisation and other prohibited conduct;
- Advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

We oppose all forms of unlawful and unfair discrimination. Our equality and diversity policy states our commitment to:

- Creating an environment in which individual differences and the contributions of all our staff are recognised and valued;
- Encouraging a working environment that promotes equality and diversity;
- No form of intimidation, bullying or harassment being tolerated whether direct, indirect, associative or by perception;
- Offering training, development and progression opportunities to all of our staff;
- Recognising the varied contributions that a diverse workforce makes to the business;
- Reviewing all employment practices and procedures to ensure fairness; and
- Ensuring compliance with the Equalities Act 2010.

In January 2022 we published our first Equality, Diversity & Inclusion (EDI) Plan.²⁸ The commitments in the plan cover a range of activities, support meeting our general Public Sector Quality Duty and reflect feedback from staff as well as independent input from academics at Glasgow Caledonian University.

In the year up to 31 March 2024, we:

- Continued to gather baseline workforce data (with supporting materials including a glossary of terms). We recognise that the more data we have the better we can monitor progress on improving EDI;
- Raised awareness of EDI and how to develop good working practices through training;
- Provided 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;
- Launched a new award for organisations demonstrating excellence in embedding diversity into net zero and Just Transition activity;
- Transitioned to a new platform for our corporate website, which met the accessibility requirements of the Government Digital Service;
- Funded an annual Prosper (formerly Scottish Council for Development & Industry) STEM education programme that targets schools in deprived areas and ensures diverse cohorts of pupils;
- Continued our 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;
- Ran a workshop (with partners) where participants from a range of equalities groups shared their expertise regarding D&I in the workforce and equalities in relation to property management. Insights from the event will inform our Equalities Impact Assessment for our 2026-31 Corporate Plan.

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

Our latest staff survey, conducted in July 2023, shows that 68% staff believe that Crown Estate Scotland is committed to creating a diverse culture. This compares to 78% agreeing with this statement in 2022 and 43% agreeing with a similar statement in the 2020-21 survey.

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 Corporate Plan can be found on our [website](#).

4 Financial Statements

4. Financial statements

4.1 Independent Auditor's Report

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 2024 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 2023/24 Government Financial Reporting Manual (the 2023/24 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 2024 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 2023/24 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

The most significant assessed risks of material misstatement that have been identified and judgements thereon are reported in the separate Annual Audit Report.

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 Principal 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 Principal 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

04 December 2024

4.2 Statements of comprehensive income

For the year ended 31 March 2024

Revenue account

	Note	2023-24 £m	2022-23 £m
Revenue	6	112.9	108.4
Costs	7	(17.2)	(12.2)
Operating profit		95.7	96.2
Investment income	10	22.7	10.5
Net operating profit before depreciation, and capital transfer agreements		118.4	106.7
Depreciation of right to use asset	20	(0.1)	(0.1)
Depreciation of tangible fixed assets	18	(0.2)	(0.2)
Net operating profit before capital transfer agreements		118.1	106.4
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 and by capital transfer agreements	11	(4.7)	(2.4)
Other capital transfer agreements	11	(0.2)	(0.4)
Net consolidated revenue account profit		113.2	103.6
Statement of comprehensive income of the revenue account			
Net revenue account profit – distributable to the Scottish Government Consolidated Fund	14	113.2	103.6
Total comprehensive revenue account profit		113.2	103.6

Capital account

	Note	2023-24 £m	2022-23 £m
Revenue	6	0.4	0.3
Charge from revenue for salary costs	9	(0.7)	(0.5)
Net revaluation gains in property and investments (including profit/(loss) on disposal)	12	15.7	85.6
Capital profit before capital transfer agreements		15.4	85.4
Recovery of capital expenditure under the Scottish Crown Estate Act 2019 by capital transfer agreement	11	4.7	2.4
Other capital transfer agreements	11	0.2	0.4
Net capital account profit		20.3	88.2
Statement of comprehensive income of the capital account			
Net capital account profit		20.3	88.2
Total comprehensive capital account profit		20.3	88.2

4.3 Statement of financial position

As at 31 March 2024

	Note	2023-24 £m	2022-23 £m
Assets			
Non-current assets			
Investment properties	15	665.5	653.0
Owner occupied property	16	0.1	0.1
Plant and equipment	18	0.4	0.5
Right of use assets	20	0.8	0.9
Receivables due after one year	19	4.6	6.7
Total non-current assets		671.4	661.2
Current Assets			
Trade and other receivables	21	17.9	24.0
Inventory		0.1	-
Cash and cash equivalents	22	748.0	721.9
Total current assets		766.0	745.9
Total assets		1,437.4	1,407.1
Liabilities			
Current Liabilities			
Payables – amount falling due within one year	23	169.6	83.5
Lease liability – amounts falling due within one year	24	0.1	0.1
Total current liabilities		169.7	83.6
Payables – amounts falling due after more than one year	23	552.7	628.8
Lease liability – amounts falling due after more than one year	24	0.8	0.9
Total non current liabilities		553.5	629.7
Total liabilities		723.2	713.3
Net assets		714.2	693.8
Capital and reserves			
Capital reserve		714.3	694.0
Revenue reserve		(0.1)	(0.2)
Revaluation reserve		-	-
Total capital and reserves		714.2	693.8

The Notes to the Accounts, numbered 1 to 31, form an integral part of these Accounts. The Accountable Officer authorised these financial statements for issue on 4 December 2024.

A handwritten signature in black ink, appearing to read 'Ronan O'Hara', with a stylized flourish at the end.

Ronan O'Hara

Chief Executive and Accountable Officer

Crown Estate Scotland

04 December 2024

4.4 Cash Flow Statement

For the year ended 31 March 2024

	Note	2023-24 £m	2022-23 £m
Cash generated from operating activities			
Net operating profit – consolidated revenue account		118.1	106.4
Decrease/(increase) in receivables		(1.0)	(3.8)
(Decrease)/increase in payables		(74.4)	690.7
(Increase)/decrease in inventory		(0.1)	-
Depreciation and impairment		0.3	0.2
Net cash flow from operating activities		42.9	793.5
Cash flows from investing activities			
Capital expenditure on investment properties		(1.8)	(2.8)
Proceeds from disposal of investment properties		4.3	1.8
Purchase of investment properties		-	-
Purchase of plant and equipment	18	(0.1)	(0.1)
Other capital receipts		0.5	1.5
Net cash flow from investing activities		2.9	0.4
Cash flows from financing activities			
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents before Scottish Government Consolidated Fund payment		45.8	793.9
Scottish Government Consolidated Fund payment	14	(19.7)	(120.7)
Increase in cash in the year after Scottish Government Consolidated Fund payment		26.1	673.2
Cash and cash equivalents at start of the year		721.9	48.7
Cash and cash equivalents at end of the year	22	748.0	721.9

4.5 Statement of changes in capital and reserves

For the year ended 31 March 2024

	Note	Revenue Account		Capital Account		Total £m
		Revenue reserve available for distribution to the Scottish Government Consolidated Fund £m	Revenue relating to IFRS 16	Capital Reserve £m	Revaluation Reserve £m	
As at 1 April 2023		-	(0.2)	694.0	-	693.8
Net profit for the financial year		113.2	-	20.3	-	133.5
Introduction of capital		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Revaluation deficit of owner occupied properties		-	-	-	-	-
Total comprehensive profit for the year ended 31 March 2024		113.2	-	20.3	-	133.5
Movement due to IFRS 16		-	0.1	-	-	0.1
Due to the Scottish Government Consolidated Fund – paid in year	14	(5.5)	-	-	-	(5.5)
Due to the Scottish Government Consolidated Fund – payable made in year	14	(107.7)	-	-	-	(107.7)
As at 31 March 2024		-	(0.1)	714.3	-	714.2

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 13% of the previous year's gross revenue and after taking into account depreciation of plant and equipment. This is an increase from 9% in 2022-23.

Changes in accounting policies in year

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date.

No financial standards have been adopted during the financial year. IFRS 16 was adopted in 2022-23.

Events after the reporting period

No adjusting events have occurred between the 31 March reporting date and the date of authorisation. One INTOG area moved from Exclusivity to Option agreement in April 2024. In September 2024 Crown Estate Scotland exercised an option to purchase land at the Cromarty Firth. These had 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 valuations have been carried out in accordance with the Appraisal and Valuation 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. Leases

IFRS 16 "Leases" was implemented from 1 April 2022; this introduced 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 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.

IFRS 16

The cumulative effect of adopting IFRS 16 is included as an adjustment at the beginning of the 2022-23 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 balances 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 within the annual accounts at the point of issue providing they relate to this financial year, and income is recognised on a straight line basis over the term of the lease from commencement to 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 £81.3m (2022-23: £77.0m). Within this option fee revenue is £76.4m (2022-23: £71.8m) and licence revenue from undersea cable, pipelines and interconnectors, and coastal moorings is £4.4m (2022-23: £3.9m).

Revenue breakdown

	2023-24 £m	2022-23 £m
Lease revenue	31.6	31.4
Other revenue from contracts with customers	81.3	77.0
	112.9	108.4

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).

Disclosure of where Crown Estate Scotland has acted as an agent in transactions is disclosed in note 29.

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 (i.e. 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 £66.6m 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 2023-24 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 2024	Year ended 31 March 2023
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Rent and royalties	6	3.4	4.7	26.8	1.0	-	35.9	35.3
Produce	6	0.2	-	-	-	-	0.2	0.1
Other income	6	0.3	-	76.2	0.1	-	76.6	72.7
Revenue (excluding service charge revenue)		3.9	4.7	103.0	1.1	-	112.7	108.1
Service Charge		-	-	-	0.2	-	0.2	0.3
Revenue – as reported		3.9	4.7	103.0	1.3	-	112.9	108.4
Direct costs:								
Management fees and costs	7	(1.4)	(0.9)	(0.6)	-	-	(2.9)	(2.6)
Repairs and maintenance	7	(3.7)	-	-	-	-	(3.7)	(1.0)
Other direct expenditure	7	(1.5)	-	(1.4)	(0.1)	-	(3.0)	(2.5)
Service charge	7	-	-	-	(0.3)	-	(0.3)	(0.4)
Total direct costs		(6.6)	(0.9)	(2.0)	(0.4)	-	(9.9)	(6.5)
Gross profit		(2.7)	3.8	101.0	0.9	-	103.0	101.9
Indirect costs:								
Administrative expenses	8	(0.1)	-	(1.1)	-	(6.1)	(7.3)	(5.7)
Total indirect costs		(0.1)	-	(1.1)	-	(6.1)	(7.3)	(5.7)
Operating profit/(loss)		(2.8)	3.8	100.0	0.9	(6.1)	95.7	96.2
Investment income		-	-	-	-	22.7	22.7	10.5
Net operating profit/(loss) before depreciation, capital transfer agreements and Statutory transfers		(2.8)	3.8	100.0	0.9	16.6	118.4	106.7
Depreciation of right to use asset	20	-	-	-	-	(0.1)	(0.1)	(0.1)
Depreciation of tangible fixed assets	18	-	-	-	-	(0.2)	(0.2)	(0.2)
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		(2.8)	3.8	100.0	0.9	16.3	118.1	106.4
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	11	-	-	-	-	(4.7)	(4.7)	(2.4)
Statutory transfers	11	-	-	-	-	(0.2)	(0.2)	(0.4)
Net revenue account profit/(loss) distributed to the Scottish Government Consolidated Fund		(2.8)	3.8	100.0	0.9	11.4	113.2	103.6

Capital Account

							Year ended 31 March 2024	Year ended 31 March 2023
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Income from sale or leases	6	-	-	0.4	-	-	0.4	0.3
Charge from revenue account for salary costs	9	-	-	(0.4)	(0.3)	-	(0.7)	(0.5)
Net revaluation gains on investment property (including profit/(loss) on disposal)	12	(7.8)	6.0	16.9	0.6	-	15.7	85.6
Capital profit before capital transfer agreements		(7.8)	6.0	16.9	0.3	-	15.4	85.4
Recovery of capital expenditure under the Scottish Crown Estate Act 2019	11	-	-	-	-	4.7	4.7	2.4
Other capital transfers	11	-	-	-	-	0.2	0.2	0.4
Net capital account profit		(7.8)	6.0	16.9	0.3	4.9	20.3	88.2

Consolidated Statement of Financial Position

							Year ended 31 March 2024	Year ended 31 March 2023
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m	Total £m
Non-current assets:								
Investment properties	15	153.6	42.6	461.0	8.3	-	665.5	653.0
Owner occupied property	16	0.1	-	-	-	-	0.1	0.1
Plant and equipment	18	0.1	0.2	-	-	0.1	0.4	0.5
Right of use asset	20	-	-	-	-	0.8	0.8	0.9
Receivables due after one year	19	0.2	-	4.4	-	-	4.6	6.7
Total non-current assets		154.0	42.8	465.4	8.3	0.9	671.4	661.2
Unallocated current assets							766.7	745.9
Unallocated liabilities							(723.9)	(713.3)
Net assets							714.2	693.8
Acquisitions and capital expenditure	15	2.2	-	0.9	-	-	3.1	2.8

6. Revenue

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Revenue account		
Rent and royalties	35.9	35.3
Produce	0.2	0.1
Other income	76.6	72.7
Revenue (excluding service charge revenue)	112.7	108.1
Service charge	0.2	0.3
Revenue – as reported	112.9	108.4
Capital account revenue		
Revenue – amortisation of income from grant of lease premia	0.4	0.3

7. Costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Management fees and costs	2.9	2.6
Repairs and maintenance	3.7	1.0
Other direct expenditure	3.0	2.5
Administrative expenses (see note 8)	7.3	5.7
Costs (excluding service charge expenses)	16.9	11.8
Service charge	0.3	0.4
Total costs reflected in revenue account	17.2	12.2

8. Administrative Expenses

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Members' remuneration	0.1	0.1
Management and administration expenses	7.2	5.6
	7.3	5.7

Auditors' remuneration of £80,857 (2022-23: £83,885) is included within Management and administration expenses. This is split between internal audit, £27,199 (2022-23: £31,622), and external audit, £53,658 (2022-23: £52,263). 2023-24 audit fee per the Annual Audit report was £53,830, accompanied by a rebate of £172. 2022-23 annual audit fee per the Annual Audit Report was £54,564, accompanied by a rebate of £2,301, therefore the fee disclosed is the net position). Fees paid to internal auditors during 2023-24 for non-audit services £Nil (2022-23 £4,634).

9. Staff Costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Wage and salaries	4.3	3.6
Social security costs	0.5	0.5
Pension costs	1.2	1.0
Total staff costs	6.0	5.1
Less staff costs charged to capital account	(0.7)	(0.5)
Staff costs reflected in the revenue account	5.3	4.6
Included in:		
Administrative expenses	3.0	2.3
Direct costs	2.3	2.3
Charged to the capital account	0.7	0.5
	6.0	5.1
	Number	Number
The average number of employees during the year	77	69

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

10. Investment Income

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Bank interest receivable	22.7	10.5
Investment income	22.7	10.5

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

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
By agreement with the Scottish Ministers the income account is charged with an amount as disclosed in note 1		
Total recovery of capital expenditure	4.7	2.4
Transfer in respect of mines / minerals earnings	0.2	0.4
Total recovered under capital transfer agreements	4.9	2.8

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

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Reflected in the capital account:		
Surplus on revaluation of investment properties	10.7	85.0
Adjustment for gross up for deferred rent movement	(0.4)	(0.3)
Gain on disposal of investment properties	5.4	0.9
Net revaluation gains on investment property (including profit/(loss) on disposal)	15.7	85.6

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.

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 2024 £m	Year ended 31 March 2023 £m
Long term receivables (note 19)	4.5	6.7
Trade receivables (note 21)	5.2	4.9
Other receivables (note 21)	0.2	-
Accrued income (note 21)	10.9	11.3
Cash and Cash Equivalents (note 22)	748.0	721.9
	768.8	744.8

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Long term payables (note 23)	552.7	628.8
Trade payables (note 23)	0.2	0.4
Deferred income on grant of lease premia (note 23)	0.4	0.4
Rents and other income received or invoiced in advance (note 23)	80.2	80.9
Accrued expenditure (note 23)	2.3	1.6
Due to the Crown Estate Commissioners (note 23)	0.1	0.1
	635.9	712.2

Liquidity risk

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

Fair values

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

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 2023-24, £19.7m was paid to the Scottish Government prior to the year-end, with £5.5m relating to the current year and £14.2m relating to 2022-23. During 2023-24, net revenues were £113.2m, meaning £86.2m is included in payables. In 2022-23 £111.0m was paid to the Scottish Government for 2022-23 prior to the year end, net revenues in 2022-23 were £103.6m meaning £7.3m was included in receivables. 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. In 2023-24 no funds have been transferred ahead of being earned. In 2022-23 £7.3m of the £111.0m paid to the Scottish Government during 2022-23 represented funds transferred ahead of being earned.

The tables below presents a breakdown of the source of funds transferred in 2022-23 and 2023-24 between ScotWind and non-ScotWind sources, and a breakdown of the balance payable / advance payment made to the Scottish Consolidated Fund recorded at year end.

	2023-24 £m	2022-23 £m
Total comprehensive revenue account profit	113.2	103.6
Gross ScotWind ²⁹	97.2	71.2
Other net revenue surplus	16.0	32.4
	113.2	103.6
Monies paid to Scottish Government Scottish consolidated fund		
of which gross ScotWind monies	-	71.2
of which gross ScotWind advance	-	31.8
of which other net revenues	19.7	8.0
	19.7	111.0
Cumulative position		
ScotWind monies earned - payable to Scottish Government Scottish Consolidated fund	(75.7)	-
ScotWind monies - paid in advance to Scottish Government Scottish Consolidated fund	-	31.8
Other net revenues earned - payable to Scottish Government Scottish Consolidated fund	(10.5)	(24.5)
Monies (payable to) / advance payment made to the Scottish Government Scottish Consolidated fund	(86.2)	7.3

²⁹ In the 2022-23 accounts the interest income directly associated with the ScotWind monies was not included in the gross ScotWind monies. Following discussions with Scottish Government during 2023-24 interest income directly associated with ScotWind monies is considered to be ScotWind monies. The cumulative position presented for 2023-24 includes the impact of £10.3m 2022-23 interest moving from other net revenue surplus to gross ScotWind.

15. Investment Properties

Portfolio	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Fair value at 1 April 2023	160.1	41.3	443.7	7.9	-	653.0
Acquisitions	-	-	-	-	-	-
Capital expenditure	2.2	-	0.9	-	-	3.1
Capital receipts	-	-	(0.1)	-	-	(0.1)
Disposals	(0.3)	-	-	-	-	(0.3)
Revaluation	(8.3)	1.3	16.9	0.3	-	10.2
At closing valuation	153.7	42.6	461.4	8.2	-	665.9
Deferred income from lease premia received	-	-	(0.4)	-	-	(0.4)
Fair value at 31 March 2024	153.7	42.6	461.0	8.2	-	665.5

Included in deferred income from lease premia received is £380,198 (2022-23: £298,566), 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 2024 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 2024 £m	Year ended 31 March 2023 £m
Fair value at opening	0.08	0.06
Additions	-	0.02
Fair value closing	0.08	0.08

During 2022-23 the business took occupation of two properties that have previously have 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 2024 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 2024	Predominant valuation technique	Key observable inputs	Range	Principal valuer
Rural and Coastal portfolio:					
Agricultural (including Development Land)	105.3	Investment/ Comparable	Market value as a proportion of vacant possession	51.4% 2%-50%	Strutt & Parker
Coastal	42.6	Investment	Yield	8.25%-15%	Savills
Forestry	46.9	Comparable	Land and timber value	£5,748-£14,588 (Av £ p Ha)	Strutt & Parker
Minerals	1.5	DCF	Discount rates	8%-19%	Wardell Armstrong
	196.3				
Marine portfolio:					
Renewables – Offshore Wind	355.2	Investment/ DCF	Yield/ Discount rates	5.25%-20.75%	Savills
Renewables – Wave & Tidal and Carbon Capture & Storage	0.5	DCF	Discount rates	10%-27.5%	Powis Hughes
Cables & Pipelines	35.0	Investment	Yield	5.5%-12%	Powis Hughes
Aquaculture	70.3	Investment	Yield	11.73%-17.23%	Savills
	461.0				
Urban portfolio:					
Offices	4.7	DCF	Yield ERV	7%-8% £23-£25 psf	Graham & Sibbald
Retail	3.6	DCF	Yield ERV	0.07 £124 psf ZA	Graham & Sibbald
	8.3				
Total all portfolios at valuation	665.6				

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

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

Investment Method

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

Discounted cash flow (DCF)

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

Comparable method

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

Wind farms

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

Strategic land

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

Properties being redeveloped

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

Rural and residential properties

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

Sensitivity analysis

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

- Estimating the rental value of each lettable unit with evidence derived from other recent lettings in the property itself or similar properties nearby, making adjustments for size, specification, location and letting incentives.
- Estimating the length of time taken and the cost to let vacant space and the likelihood of lease renewals.
- Deciding the appropriate capitalisation rate to be applied derived from transactions of comparable properties.
- Choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure on rural and residential tenancies.
- For property under development the assessment of the value created on completion and the allowance for construction and letting costs to achieve that.
- Inclusion of hope value for a higher value use (e.g. strategic land and properties with potential for residential conversion) dependent upon the likelihood, time and cost of achieving that use.

- Allowance for the level of volatility on turnover related valuations e.g. aggregates, minerals and aquaculture.
- Assessment of functional lifespan of offshore assets e.g. cables and pipelines.
- Assessing the appropriate discount rate for offshore wind farms from site exclusivity through to a generating wind farm.

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

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

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

For illustrative purposes, a 10% change in valuation would be expected to have a £66.6m impact on the Statement of Financial Position.

18. Plant and equipment

2023-24	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
Cost at 1 April 2023	0.5	-	0.4	0.2	0.1	1.2
Additions	-	-	0.1	-	-	0.1
Disposals	-	-	-	-	-	-
Cost at 31 March 2024	0.5	-	0.5	0.2	0.1	1.3
Depreciation at 1 April 2023	0.2	-	0.3	0.1	0.1	0.7
Charge	-	-	0.1	0.1	-	0.2
Disposals	-	-	-	-	-	-
Total depreciation at 31 March 2024	0.2	-	0.4	0.2	0.1	0.9
Net book value at 31 March 2023	0.3	-	0.1	0.1	-	0.5
Net book value at 31 March 2024	0.3	-	0.1	-	-	0.4

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	-	0.4	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	-	0.3	0.1	0.1	0.7
Net book value at 31 March 2022	0.3	-	0.2	0.1	0.1	0.7
Net book value at 31 March 2023	0.3	-	0.1	0.1	-	0.5

19. Receivables due after one year

	As at 31 March 2024 £m	As at 31 March 2023 £m
Other receivables	4.5	6.7

20. Right of use asset

	As at 31 March 2024 £m	As at 31 March 2023 £m
Net book value		
At 31 March	0.9	-
Adjustments on initial application of IFRS 16 VAT receivable	-	1.0
Adjusted balance as at 1 April	0.9	1.0
Depreciation for the period	(0.1)	(0.1)
At 31 March	0.8	0.9

21. Trade and other receivables

	As at 31 March 2024 £m	As at 31 March 2023 £m
Trade receivables	5.2	4.9
Due to Scottish Government (paid in advance)	-	7.3
Other receivables	0.2	-
VAT receivable	0.7	0.2
Prepayments	1.0	0.3
Accrued Income	10.8	11.3
	17.9	24.0

Trade and other receivables are shown after deducting provisions for bad and doubtful debts of £462,674 (£137,596 in 2022-23). The trade receivable impairment reflects the application of Crown Estate Scotland's judgement in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value. During the year debts of £5,585 were written off (2022-23 £7,728).

Receivables from contracts with customers as at 31 March 2024 was £0.2m (as at 31 March 2023: £1.0m). Accrued income arising from contracts with customers as at 31 March 2024 was £0.1m (£0.1m as at 31 March 2023). It is expected all will be invoiced within 9 months of the year end (31 March 2023: 6 months).

22. Cash and Cash Equivalents

	£m
Balance as at 1 April 2023	721.9
Net change in cash and cash equivalents	26.1
Balance as at 31 March 2024	748.0
The following balances were held within:	
Revenue account	692.9
Capital account	55.1
Balance as at 31 March 2024	748.0

23. Payables

	As at 31 March 2024 £m	As at 31 March 2023 £m
Amounts falling due within one year:		
Trade payables	0.2	0.4
Rent and other income received or invoiced in advance	80.2	80.9
VAT and other taxes payable	0.2	0.1
Due to the Crown Estate Commissioners	0.1	0.1
Due to the Scottish Government Consolidated Fund	86.2	-
Accrued expenditure	2.3	1.6
Deferred income on grant of lease premia	0.4	0.4
	169.5	83.5
Amounts falling due after more than one year:		
Deferred income on grant of lease premia	17.3	17.7
Rent and other income received or invoiced in advance	535.4	611.1
	552.7	628.8

The Crown Estate Transfer Scheme 2017 transferred the existing Scottish functions of the Crown Estate to Crown Estate Scotland on 1 April 2017 from the Crown Estate Commissioners. The Scheme included provisions for the accounting of income and expenditure between the transferor and transferee. As at 31 March 2024, £0.1m (31 March 2023: £0.1m) was outstanding to the Crown Estate Commissioners.

During the year to 31 March 2024, Crown Estate Scotland received a lease premium of £25.5k on a long lease over 20 years in length (31 March 2023: £5.6m). In line with the requirements of the Scottish Crown Estate Act 2019, this is 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. Revenue relating to the capital account remains in the deferred income balance.

Within the £80.2m rent and other income received or invoiced in advance to be recognised within 12 months of the balance sheet date (as at 31 March 2023: £80.9m), £78.5m related to income from contracts with customers (as at 31 March 2023: £78.3m). Within the £535.4m rent and other

income received or invoiced in advance falling due after one year of the balance sheet date (as at 31 March 2023: £611.1m), £535.4m (as at 31 March 2023: £608.8m) 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 year end is shown in the table below.

	As at 31 March 2024 £m	As at 31 March 2023 £m
0-1 year	79.7	79.7
1-5 years	317.6	316.7
>5 years	309.1	379.8
Total	706.6	776.2

24. Lease liability

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

	As at 31 March 2024 £m	As at 31 March 2023 £m
At 31 March	1.0	-
Adjustments on initial application of IFRS 16	-	1.1
Adjusted balance as at 1 April	1.0	1.1
Amounts paid	(0.1)	(0.1)
Discount unwind	-	-
At 31 March	0.9	1.0
Current	0.1	0.1
Non-current	0.8	0.9
Total	0.9	1.0

25. Leasing

Operating leases with tenants

Crown Estate Scotland leases out the majority of its investment properties for average lease terms of 24.5 years to expiry (2022-23: 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 2024 £m	As at 31 March 2023 £m
Less than one year	5.9	5.8
Between one and five years	18.6	18.6
More than five years	162.4	154.4
	186.9	178.8

Crown Estate Scotland has no obligations under finance leases. Contingent rents receivable were £23.6m at 31 March 2024 (2022-23 £23.4m).

26. Capital Commitments

At 31 March 2024, capital expenditure of £1.7m had been authorised but not yet committed (2022-23: £0.4m).

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 2024.

Member	Organisation	Position held	Amounts receivable by Crown Estate Scotland		Amounts payable by Crown Estate Scotland		Nature of transaction
			2023-24 £	2022-23 £	2023-24 £	2022-23 £	
Amanda Bryan ³⁰	Highlands and Islands Enterprise	Board Member	1,400	23,830	-	-	Rental income
Michael Foxley	University of Highlands and Islands	Board Member of UHI North, West and Hebrides	-	400	5,000	-	Rental income
	MOWI	Son employee ³¹	209,659	1,337,296 ³²	-	-	Donation expenditure Rental Income
Jean Lindsay	Revenue Scotland	Non-Executive Director	-	-	-	-	Land & Buildings Transaction Tax (LBTT) ³³
Robert Mackenzie	Ferguson Marine (Port Glasgow) Limited	Director ³⁴	1,340	7,235	-	-	Rental Income
Katerina Brown	The National Trust for Scotland	Chief Operating Officer	630 ³⁵	1,040 ³⁶	-	-	Rental Income
Ailsa Raeburn	Highlands and Islands Enterprise	Board Member	13,300	23,830	-	-	Rental Income
			-	-	2,438	-	Rental expenditure
Ronan O'Hara	Royal Institution of Chartered Surveyors UK & Ireland	Board Member	-	-	3,846	-	Training
Esther Black	Children in Scotland	Non-Executive Director ³⁷	-	-	-	15,498	Project expenditure

30 Board member left 30 June 2023. Transactions to this date shown in 2023-24.

31 Left June 2023.

32 £1.0m outstanding as at 31 March 2023, £0.99m does not fall due until 2023-24, and £325 has been provided for.

33 No land assets purchased during the 2 years to 31 March 2024..

34 Resigned 31 October 2023.

35 £1,100 outstanding as at 31 March 2024 of which £600 is being provided for.

36 £1,390 outstanding at 31 March 2023 of which £1,300 relates to prior years, and £600 has been provided for.

37 Non-Executive Director resigned 18 August 2023

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 2024, £219,064 (2022-23: £372,895) 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 2024, £50,000 was outstanding (2022-23: £144,400).

29. Agency Transactions

During 2023-24 Crown Estate Scotland acted as an agent acting on behalf of the Scottish Offshore Wind Energy Council (SOWEC) and the Collaborative Framework Working Group (CFWG, the predecessor of the SIM Group) to pay for Strategic Investment Model (SIM) programme management services on behalf of the group. More information is given on the SIM here <https://www.offshorewindscotland.org.uk/the-scottish-offshore-wind-industry/sowec/sim/>.

This arrangement was considered to be an Agency and principal agreement. Crown Estate Scotland, through being a participant of the CFWG, is considered to be a principal to the transaction to the extent of its contribution to the programme. This contribution is accounted for as operational expenditure and not disclosed here. Crown Estate Scotland is considered to be an agent to the remainder of the transaction since CES has no control of the service being provided to the CFWG by the appointed SIM programme manager other than to the extent of its own involvement as a CFWG member. Crown Estate Scotland does not have the primary responsibility for fulfilling the contract to provide the service to the CFWG and has no risk or price control over it. This means that Crown Estate Scotland acted as agent only for this part of the transaction and the expenditure incurred and reimbursements from the CFWG partners are not included in Crown Estate Scotland's income or expenditure statement.

During 2023-24 expenditure of £0.4m was incurred in providing this service, and £0.4m was invoiced to other parties. As at 31 March 2024 gross debtors of £0.1m are recorded on the Crown Estate Scotland balance sheet.

30. Third party deposits

At 31 March 2024, Crown Estate Scotland held £57.0m of tenant deposits on behalf of third parties (2022-23: £5.2m).

31. Events after the reporting period

No adjusting events have occurred between the 31 March reporting date and the date of authorisation. One INTOG area moved from Exclusivity to Option agreement in April 2024. In September 2024 Crown Estate Scotland exercised an option to purchase land at the Cromarty Firth. These had no impact on the reported results.

5 Appendices

Appendix 1



Scottish Government
Riaghaltas na h-Alba
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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 Ballinger

Dated: 12 March 2021

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 ("CES") may transfer a sum of money from their income account to their capital account in the financial year ended 31 March 2024 and in the financial year ended 31 March 2025, as provided for in section 29 of the Act. The sum that may be transferred in each of those years is to be calculated as 13% of the previous financial year's gross revenue, after taking into consideration current year depreciation of plant and equipment. This will include interest income on CES capital and revenue accounts, but will exclude service charge income.
4. CES are not permitted to include revenue from ScotWind or INTOG leasing rounds or interest earned from that revenue as part of any transfer of funds from their income account to their capital account in the financial year ended 31 March 2024 and in the financial year ended 31 March 2025, unless otherwise directed in writing by the Scottish Ministers.
5. For the avoidance of doubt, Section 3 and 4 of this Direction are applicable only for the two financial years specified above. Any statutory transfer for future financial years will be set out in any future directions as determined by Scottish Ministers.

Treatment of certain sums

6. The gross annual income received, and any expenses incurred, by CES, 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.

16 October 2023

Appendix 3

Crown Estate Scotland

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

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

1. This Direction applies to Crown Estate Scotland ("CES").
2. This Direction should be read in conjunction with any other Directions issued by the Scottish Ministers, and, for the avoidance of doubt, the transfers authorised under this Direction are in addition to any transfers authorised under previous Directions issued by the Scottish Ministers to CES.

Transfer of sums between income and capital accounts

3. Pursuant to an agreement CES intends to enter into in respect of the potential purchase of land on the Cromarty Firth ("the Property"), CES may make payments which require the transfer of funds from CES's income account to CES's capital account. Accordingly, the Scottish Ministers direct that potential sums up to a total of £5,000,000 may be transferred from CES's income account to CES's capital account, in accordance with section 29(2) of the Scottish Crown Estate Act 2019.
4. In the event that CES purchases the land, the Scottish Ministers further direct that all future rents arising during the CES period of ownership of the Property, may be transferred from CES's income account to CES's capital account on an annual basis.
5. For the avoidance of doubt, this Direction will apply to transfers only for the limited reasons outlined above and will cease to apply in the event that negotiations and/or agreements between CES and third parties in respect of the Property are terminated.

Signed



Dated

20TH DECEMBER 2023



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