

The Crown Estate

Resource Accounts 2007-08

The Crown Estate Resource Accounts 2007-08

(For the year ended 31 March 2008)

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Annual Report

1 Scope

1.1 Entities within the departmental accounting boundary

The Crown Estate is the department and there are no other entities within its boundary.

1.2 Bodies outside of the departmental boundary

There are no bodies outside the departmental accounting boundary for which The Crown Estate has responsibility.

1.3 The aim, objective and principal activities of The Crown Estate

The Crown Estate Act 1961 was enacted by Parliament in pursuance of the recommendations of the report of the Committee on Crown Lands which visualised the role of The Crown Estate Commissioners as analogous to that of trustees of a trust fund. The Act charged the Commissioners with the management of The Crown Estate.

The duties of the Commissioners are to maintain The Crown Estate as an estate in land and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management. By the Civil List Act 1952 the net income from The Crown Estate, after defraying costs of collection and management, is required to be paid into the Exchequer and made part of the Consolidated Fund (general government revenues).

The Commissioners have authority to do on behalf of The Crown in relation to The Crown Estate all such acts as belong to The Crown's right of ownership, subject only to the detailed restrictions set out in the Act. The Commissioners must comply with such directions, as to the discharge of their functions under the Act, as may be given to them by the Chancellor of the Exchequer and the Secretary of State for Scotland. The Commissioners submit annually to the Treasury a forecast of their activities in a Corporate Plan covering the following and two ensuing years.

Under The Crown Estate Act 1961 (Schedule 1, paragraph 5) monies are provided by Parliament (Resource Finance) towards the cost of the Commissioners' salaries and the expense of their Office.

This Resource Account only includes transactions in relation to these costs. The complete transactions and operations of The Crown Estate are reflected in a separately published annual report and financial statements, in July 2008 (www.thecrownestate.co.uk).

1.4 Important events which have occurred since the financial year end

There have been no significant events since the year end.

2 Review of Activities and Corporate Governance

The Crown Estate's aim is to continue to enhance the value of the estate and return obtained from it, in accordance with The Crown Estate Act 1961.

During the year ended 31 March 2008, the capital value of the property portfolio increased by £12 million to £6,584 million, with capital realised of £270.7 million. The revenue surplus increased by 5.6 per cent to £211.4 million.

A full review of the activities of The Crown Estate is given in the preface by the First Crown Estate Commissioner (the Chairman), the operational and financial review by the Second Crown Estate Commissioner (the Chief Executive) and the governance report in The Crown Estate Annual Report and Financial Statements.

3 Operating and Financial Review

These accounts relate only to the Resource Account activities. In 2007-08 expenditure in respect of the salaries of The Crown Estate Commissioners and the expense of their Office increased from that of 2006-07 by £108,000 (4.8%) due to an increase in staff costs. This has arisen as a result of the ongoing internal reorganisation which has resulted in some posts being redesignated.

The Resource outturn of £2,365,000 matches the supply estimate for 2007-08 for Annually Managed Expenditure.

4 Management

The Accounting Officer for The Crown Estate is Roger Bright: Second Commissioner, Chief Executive and Deputy Chairman of the Board. He is appointed on a renewable four year contract with a notice period of six months. His current contract expires in September 2009. The Main Board's remuneration is accounted for in The Crown Estate's Annual Report and Financial Statements. The composition of the Board was as follows:

Mr Ian Grant, CBE, FRAgS First Commissioner and Chairman of the Board
Mr Roger M F Bright, MA (Cantab) Second Commissioner and Chief Executive and Accounting Officer; Deputy Chairman of the Board
Mr Christopher Bartram
Sir Donald Curry, KB, CBE, FRAgS (appointment expired 31 December 2007)
Mr Hugh Duberly, CBE, DL
Mr David Fursdon (appointed 1 January 2008)
Ms Jenefer Greenwood, BSc (Hons), FRICS
Mr Martin Moore, MRICS
Miss Dinah Nichols, CB

The activities covered by this Resource Account are undertaken by staff employed by The Crown Estate whose remuneration is included in The Crown Estate Annual Report and Financial Statements for 2007-08.

5 Remuneration Report

The Remuneration Report can be found in The Crown Estate Annual Report and Financial Statements.

6 Public Interest

6.1 Payment of suppliers

The Crown Estate's payment policy is to pay all suppliers within 30 days of receipt of a correctly documented invoice, or on completion of service where a fee is recoverable from a third party, or according to contract where a shorter payment period is agreed. During the year The Crown Estate paid 61% (72% in 2006-07) of invoices from suppliers within this period. This percentage includes invoices under dispute and amounts recoverable from third parties. On average, invoices from suppliers are paid within 36 days of receipt (26 days in 2006-07). The Crown Estate observes the principles of the "Better Payment Practice Code".

6.2 Charitable donations

There were no charitable donations from the Resource Account during 2007-08.

6.3 Auditors

The accounts of The Crown Estate are audited by the Comptroller and Auditor General. The notional audit fee for work performed on the 2007-08 Crown Estate Resource Account is £8,000. No fees have been incurred in respect of non-audit services.

6.4 Statement on Disclosure of Relevant Audit Information to the entity's Auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditor is unaware; and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

6.5 Preparation

The accounts of The Crown Estate are prepared in accordance with HM Treasury's Financial Reporting Manual.

Roger Bright
Chief Executive and Accounting Officer

19 JUNE 2008

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, The Crown Estate is required to prepare Resource Accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by The Crown Estate during the year in pursuance of Resource funded activities.

The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the Resource funded activities of The Crown Estate, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

HM Treasury has appointed the Second Commissioner as principal Accounting Officer for The Crown Estate with overall responsibility for preparing The Crown Estate's Resource Accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the principal Accounting Officer is required to comply with the *Financial Reporting Manual* prepared by HM Treasury, and in particular to:

- a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b. make judgements and estimates on a reasonable basis;
- c. state whether applicable accounting standards, as set out in the *Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
- d. prepare the accounts on a going-concern basis.

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

Statement on internal control

Scope of Responsibility

The Board has overall responsibility for the system of internal controls, including risk management and corporate governance and direction over appropriate strategic, financial, operational and compliance issues. The Board has delegated to executive management the implementation of the system of internal controls. It has also delegated to the Audit Committee the review of the effectiveness of the system of internal controls, on behalf of the Board.

As Accounting Officer, the Chief Executive is responsible for maintaining a sound system of Internal Control that supports the achievement of The Crown Estate's aims and objectives as set out in The Crown Estate Act 1961, and for reviewing its effectiveness.

The Crown Estate's system of internal control is designed to manage risk to an acceptable level rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process has been established for identifying, evaluating and managing the significant risks faced by The Crown Estate. The Board regularly reviews this process. This process has been in place and operating effectively throughout the year ended 31 March 2008 and up to the date of approval of the annual report and financial statements, and accords with H.M. Treasury guidance.

The System of Internal Control

The Crown Estate's system of internal control and risk management considers all types of controls including those of an operational and compliance nature, as well as internal financial controls. It is embedded in the operations of The Crown Estate and includes processes for monitoring its continuing effectiveness.

It encompasses: control activities; information and communication processes; records; policies and procedures; behaviours; and other aspects of the organisation that, taken together are designed to facilitate:

- achievement of strategic objectives;
- orderly and legitimate conduct of its business;
- effective and efficient operations;
- quality in internal and external reporting; and
- compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

The Risk and Control Framework

Executive Management is accountable to the Board for establishing and monitoring the system of internal control and for providing assurance to the Board that it has done so.

All employees have responsibility for internal control as part of their accountability for achieving their objectives. All staff are encouraged to become familiar with these requirements during their induction process and through on the job training and awareness. They, collectively, have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal controls. This includes an understanding of The Crown Estate, its objectives, the industries and markets in which it operates, and the risks it faces.

Key elements of The Crown Estate's system of internal controls include:

- Strategic objectives and corporate planning
- Risk management
- Management structure, reporting lines and accountability
- Investment appraisal
- Budgeting and financial planning, monitoring and control
- Delegated financial approval limits
- Policies and procedures
- Information and communication
- Regulatory compliance
- Competent people
- Code of conduct
- Independent assurance

Key elements of The Crown Estate's risk management processes include:

- Risk management is well established within The Crown Estate for all departments, key processes and projects. The vision of risk management is to move from "established" to "fully embedded" and to raise the awareness of risk at all levels of the organization in such a way that all significant business decisions are risk informed;
- Clear strategic and business objectives;
- Executive Management considers: the significant risks that threaten the achievement of The Crown Estate's corporate objectives on an ongoing basis and as part of the annual corporate planning process; risks identified by line management on a quarterly basis;
- Executive management are designated 'risk owners' for strategic risks and for risks that relate to those functions, projects and processes that they directly manage;
- Cross Departmental Risk Committee reviews the risks reported by line management, having regard, in particular, to any significant weaknesses in internal control that have been identified by line management, on a quarterly basis;
- Line management identifies and assesses, manages, monitors and reports on the key risks and the effectiveness of the related system of internal control in managing the significant risks, on an ongoing basis, as part of their business activities;
- Certification by way of Internal Control Statements from management, providing assurance that: key risks have been identified and managed, and mitigating controls are in place and operating effectively;
- Assurance from specialist functions and committees that legal, regulatory, health and safety, ethical and environmental risks are appropriately identified and managed;
- Established Risk Management Policy and Guidelines: designed to provide support to management in their risk assessment responsibilities and consistency of results across all departments; and to define clear accountabilities, processes and reporting formats;

- Risk profiling methodology to determine the threats to the achievement of business objectives in terms of likelihood and impact at both inherent and residual level, after taking account of mitigating and controlling actions;
- Risk appetites and tolerances are assessed and managed by management, reflecting experience and past history of effective risk management;
- A hierarchy of risk registers (for departments, projects and business processes) used as the basis for quarterly review of risk management at Risk Committee, Project Monitoring Committee and Management Board level;
- Risk reporting, incorporating the Corporate Risk Register, departmental and project risk registers, and Internal Control Statements;
- Risk management framework, policy and processes which are consistent with the best practices as defined in the Office of Government Commerce's Management of Risk: Guidance for Practitioners and with the contents of Managing Public Money;
- Ongoing consideration of the procurement of insurance cover;
- Internal Audit facilitates the implementation of a robust risk management framework whereby management identifies, evaluates, manages, monitors and reports key risks.

Review of Effectiveness of Internal Controls

The Audit Committee reviews the effectiveness of the system of internal controls and reports its findings to the Board. This includes the requirement for the Head of Internal Audit to report to the Audit Committee on the implementation of actions identified as a result of Internal Audit's annual programme of work.

The Accounting Officer is responsible for putting in place arrangements for gaining assurance with respect to the effectiveness of the system of internal controls. The Accounting Officer forms his own view on effectiveness after due and careful consideration of the information and assurances provided to him, and is advised by the following:

- Audit Committee (communicates the results of its oversight and monitoring role to the Board, which enables it to build up a cumulative assessment of the state of internal controls and the effectiveness with which risk is being managed);
- Executive management (responsible for establishing, maintaining and monitoring the system of internal controls, and for considering changes since the last annual assessment in the nature and extent of significant risks, and the company's ability to respond to changes in its business and in the external environment);
- Cross Departmental Risk Committee;
- National Audit Office (by way of comments contained in their management letter);
- Internal Audit (provides the Audit Committee with independent and objective assurance on the effectiveness of the system of internal controls, including risk management and corporate governance);
- External consultants and other providers of assurance.

During the year, Ernst & Young LLP were appointed as co-sourced Internal Audit partners for The Crown Estate, to complement the existing in-house Internal Audit team, which is comprised of three staff led by the newly appointed Head of Internal Audit.

Internal Audit, under the oversight of the Audit Committee, has reviewed the system of internal controls, including risk management and corporate governance, and concluded that adequate controls are in place and operating effectively, with the exception of the item highlighted below.

Internal Control Concerns

In the last quarter of the financial year 2006/07, financial irregularities were identified at a subsidiary office. Internal Audit's investigation, which commenced in January 2007 and concluded during the financial year 2007/08, determined how these failings arose and re-assessed the effectiveness of management's ongoing processes for designing, operating and monitoring the system of internal control. Remedial action was undertaken and internal controls at the subsidiary office continue to be improved. A provision within creditors has been made in the separately published 2007-08 Crown Estate Annual Report and Accounts to cover the confirmed loss.

Roger Bright
Chief Executive and Accounting Officer

19 JUNE 2008

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited these financial statements for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Department Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which given in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if The Crown Estate has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal Control reflects The Crown Estate's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of The Crown Estate's corporate governance procedures or its risk and control procedures.

I read the other information which accompanies the financial statements and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Crown Estate's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of The Crown Estate's Resource Accounts affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

24 JUNE 2008

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

| | 2007-08 | | | | | | 2006-07 | |
|--------------------------------------|----------------------|----------|--------------|----------------------|----------|--------------|--|--------------|
| | Estimate | | | Outturn | | | Net total outturn compared with estimate: saving/ (excess) | Net Total |
| | Gross Expenditure | A in A | Net Total | Gross Expenditure | A in A | Net Total | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| *Request for resources 1 (Note 4) | 2,365 | - | 2,365 | 2,365 | - | 2,365 | - | 2,257 |
| Total resources | 2,365 | - | 2,365 | 2,365 | - | 2,365 | - | 2,257 |
| Net cash requirement | 2,357 | - | 2,357 | 2,357 | - | 2,357 | - | 2,249 |

* To maintain and enhance the value of The Crown Estate and the return obtained from it.

Reconciliation of resources to cash requirements

| | Note | Estimate | Outturn | Net total outturn compared with estimate: saving/ (excess) |
|---|----------|--------------|--------------|--|
| | | £'000 | £'000 | £'000 |
| Net total resources | 4 | 2,365 | 2,365 | - |
| Acquisition of fixed assets | | - | - | - |
| Investments | | - | - | - |
| Non-operating A in A | | - | - | - |
| Accruals adjustments | | - | - | - |
| Non-cash items | 2 | (8) | (8) | - |
| Use of provision | | - | - | - |
| Net cash requirement (Cash Flow Statement) | | 2,357 | 2,357 | - |

Summary of income payable to the Consolidated Fund

| | 2007-08 Forecast | | 2007-08 | |
|---|------------------|----------|---------|----------|
| | Income | Receipts | Income | Receipts |
| | £'000 | £'000 | £'000 | £'000 |
| Operating Income and receipts – excess A in A | - | - | - | - |
| Non-operating income and receipts – excess in A in A | - | - | - | - |
| Subtotal | - | - | - | - |
| Other operating income and receipts not classified as A in A | - | - | - | - |
| Other non-operating income and receipts not classified as A in A | - | - | - | - |
| Other amounts collectable on behalf of the Consolidated Fund | - | - | - | - |
| Total | - | - | - | - |

The notes on pages 19 to 21 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2008

| | | 2007-08 | 2006-07 |
|-----------------------------------|-------------|----------------|----------------|
| | Note | £'000 | £'000 |
| Administration costs | | | |
| Staff costs | | – | – |
| Other administration costs | 2 | 8 | 8 |
| Gross administration costs | | 8 | 8 |
| Operating income | | – | – |
| Net administration costs | | 8 | 8 |
| Programme costs | | | |
| Requests for resources 1 | | 2,357 | 2,249 |
| Less: income | | – | – |
| Net programme cost | 3 | 2,357 | 2,249 |
| Net operating cost | | 2,365 | 2,257 |
| Net resource outturn | | 2,365 | 2,257 |

All expenditure is derived from continuing activities.

Statement of recognised gains and losses

for the year ended 31 March 2008

There were no gains or losses other than net operating cost.

The notes on pages 19 to 21 form part of these accounts

Balance Sheet

as at 31 March 2008

| | Note | <u>2007-08</u> <u>£'000</u> | <u>2006-07</u> <u>£'000</u> |
|--|------|--------------------------------|--------------------------------|
| Current assets | | | |
| Debtors | | - | - |
| Cash at bank and in hand | | - | - |
| | | <u> </u> | <u> </u> |
| Creditors (amounts falling due within one year) | | <u> </u> | <u> </u> |
| Net current assets | | <u> </u> | <u> </u> |
| Total assets less current liabilities | | <u> </u> | <u> </u> |
| Taxpayers' equity | | | |
| General fund | 5 | <u> </u> | <u> </u> |
| | | <u> </u> | <u> </u> |

Roger Bright
Chief Executive and Accounting Officer

19 JUNE 2008

The notes on pages 19 to 21 form part of these accounts

Cash Flow Statement

for the year ended 31 March 2008

| | <u>2007-08</u> | <u>2006-07</u> |
|--|----------------|----------------|
| | <u>£'000</u> | <u>£'000</u> |
| Net cash outflow from operating activities | (2,357) | (2,249) |
| Payments of amounts due to the Consolidated Fund | – | – |
| Financing from the Consolidated Fund | 2,357 | 2,249 |
| Increase in cash in the period | <u>–</u> | <u>–</u> |

Reconciliation of operating cost to operating cash flows

| | | <u>2007-08</u> | <u>2006-07</u> |
|---|------|----------------|----------------|
| | Note | <u>£'000</u> | <u>£'000</u> |
| Net operating cost | | 2,365 | 2,257 |
| Adjustment for non-cash transactions | 2 | (8) | (8) |
| Net cash outflow from operating activities | | <u>2,357</u> | <u>2,249</u> |

Analysis of financing and reconciliation to the net cash requirement

| | <u>2007-08</u> | <u>2006-07</u> |
|---|----------------|----------------|
| | <u>£'000</u> | <u>£'000</u> |
| From the Consolidated Fund (supply) – current year | 2,357 | 2,249 |
| Increase in cash | – | – |
| Net cash requirement (Statement of Parliamentary Supply) | <u>2,357</u> | <u>2,249</u> |

Amount of grant actually issued to support the net cash requirement = £2,357,000.00

The notes on pages 19 to 21 form part of these accounts.

Statement of Operating Costs by Department Aim and Objectives

for the year ended 31 March 2008

| | Gross | 2007-08 Income | Net | Gross | 2006-07 Income | Net |
|---|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Aims: To maintain and enhance the value of The Crown Estate and the return obtained from it | | | | | | |
| 1. The salaries of the Crown Estate Commissioners, the expense of their office and associated non-cash items. | 2,365 | - | 2,365 | 2,257 | - | 2,257 |
| Net operating cost | <u><u>2,365</u></u> | <u><u>-</u></u> | <u><u>2,365</u></u> | <u><u>2,257</u></u> | <u><u>-</u></u> | <u><u>2,257</u></u> |

The notes on pages 19 to 21 form part of these accounts.

Notes to the accounts

for the year ended 31 March 2008

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual* (FRoM) issued by the Treasury. The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FRoM also requires The Crown Estate to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse The Crown Estate's income and expenditure by objective.

Where the FRoM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of The Crown Estate for the purpose of giving a true and fair view has been selected. The Crown Estate's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

The accounts are prepared under the historical cost convention. The Crown Estate Resource Account neither holds nor expects to hold fixed assets or stock requiring revaluation or depreciation.

1.2 Basis of consolidation

These accounts are for the Resource Account activities of The Crown Estate. Only the resource funded activities of The Crown Estate are reported in this account. The main activities of The Crown Estate are subject to a different financial accounting framework and are published separately in The Crown Estate's Annual Report and Financial Statements.

1.3 Operating income

The Crown Estate Resource Account has no operating income and relies solely on Parliamentary Supply funding.

1.4 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the cost of running The Crown Estate as defined under the administration cost control regime. Programme costs reflect non-administration costs and comprise the transfer of funding to The Crown Estate's Annual Financial Statements for the salaries of the Commissioners and the expenses of their Office.

1.5 Accruals relationship

The Resource Account transfers funding to The Crown Estate's Annual Financial Statements for the salaries of the Commissioners and the cost of their Office and any other specific resource funded activities approved in resource estimates. The Resource Account shows a transfer of cash to The Crown Estate's Annual Financial Statements as the expenditure is recognised and therefore neither owes any sums at the year end nor is owed any such sums.

1.6 Financial instruments

Cash is the only financial instrument held by the Resource Account.

The Crown Estate Resource Account has no borrowings and relies primarily on resource funding for its cash requirements, and is therefore not exposed to liquidity risks. It has no material deposits and all material asset and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

2 Other administration costs

| | <u>2007-08</u> | <u>2006-07</u> |
|-----------------------------------|----------------|----------------|
| | <u>£'000</u> | <u>£'000</u> |
| Non-cash items: | | |
| Auditors' remuneration & expenses | 8 | 8 |
| | <u>8</u> | <u>8</u> |

There is no remuneration for non-audit work.

3 Net programme costs

| | <u>2007-08</u> | <u>2006-07</u> |
|--|----------------|----------------|
| | <u>£'000</u> | <u>£'000</u> |
| Current grants and other current expenditure | 2,357 | 2,249 |
| Less: programme income | - | - |
| | <u>2,357</u> | <u>2,249</u> |

4 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement 2007-08

| | <u>Admin</u> | <u>Other current</u> | <u>Grants</u> | <u>Gross resource expenditure</u> | <u>A in A</u> | <u>Net total</u> | <u>Estimate</u> | <u>Net total outturn compared with estimate</u> |
|---|--------------|----------------------|---------------|-----------------------------------|---------------|------------------|-----------------|---|
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| *Request for resources 1 | - | 2,365 | - | 2,365 | - | 2,365 | 2,365 | - |
| Total | <u>-</u> | <u>2,365</u> | <u>-</u> | <u>2,365</u> | <u>-</u> | <u>2,365</u> | <u>2,365</u> | <u>-</u> |
| Resource outturn | | | | 2,365 | - | 2,365 | 2,365 | - |
| Reconciliation to Operating Cost Statement | | | | | | | | |
| Gross operating expenditure | | | | 2,365 | | | | |
| Operating income | - | - | - | - | - | - | - | - |
| Net operating cost | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,365</u> | <u>-</u> | <u>-</u> |

*To maintain and enhance the value of The Crown Estate and the return obtained from it.

5 Reconciliation of net operating cost to changes in General Fund

| | <u>2007-08</u> | <u>2006-07</u> |
|--|----------------|----------------|
| | <u>£'000</u> | <u>£'000</u> |
| Net operating cost for the year (Operating Cost Statement) | 2,365 | 2,257 |
| Net Parliamentary funding | (2,357) | (2,249) |
| Surplus payable to Consolidated Fund | – | – |
| Non-cash charges: | | |
| Auditors remuneration | (8) | (8) |
| Net increase in General Fund | <u>–</u> | <u>–</u> |
| General Fund at 1 April | <u>–</u> | <u>–</u> |
| General Fund at 31 March (Balance Sheet) | <u>–</u> | <u>–</u> |

6 Contingent liabilities

There were no contingent liabilities at 31 March 2008.

7 Post Balance Sheet Events

The Crown Estate's Resource Account is laid before the Houses of Parliament by HM Treasury. FRS 21 requires The Crown Estate to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by The Crown Estate to HM Treasury.

The authorised date for issue is 24 June 2008.

8 Related party transactions

The objective of The Crown Estate Resource Account is to make transfers to The Crown Estate for the salaries of The Crown Estate Commissioners and the expense of their Office. Accordingly, all of The Crown Estate Resource Account transactions are with The Crown Estate and therefore The Crown Estate is regarded as a related party.

Neither the Accounting Officer nor any other related parties have undertaken any material transaction with The Crown Estate Resource Account during the year.

9 Actual outturn – resource and cash**9.1 Actual outturn – resources:**

Request for Resources 1: Actual amount net resource outturn £2,365,000.00

9.2 Actual outturn – cash:

Net cash requirement: Outturn net requirement £2,357,000.00

Actual receipts were £0.00



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