DUCHY *of* LANCASTER

Report and Accounts

Year ended 31st March 2024

Preserving the past, investing for the future

DUCHY *of* LANCASTER

Annual Report

Report and accounts of the Duchy of Lancaster for the year ended 31 March 2024

Presented to Parliament pursuant to Section 2 of the Duchies of Lancaster and Cornwall (Accounts) Act 1838.

Introduction

Introduction

The Duchy of Lancaster is a private estate in England and Wales. It has been the personal estate of the reigning Monarch since 1399 and is held separately from all other Crown possessions.

The ancient inheritance known as the Duchy of Lancaster began over 750 years ago. Historically, its growth was achieved via legacy, alliance and forfeiture. In modern times, growth and diversification have been delivered through active asset management.

Today, the estate covers 44,833 acres of rural land divided into five Surveys: Cheshire, Lancashire, Southern, Staffordshire and Yorkshire. It also includes Foreshore ownerships, a Minerals Survey and a significant Urban Survey which is made up of a number of office, retail and industrial properties in key strategic locations in England and Wales.

History

In 1265, King Henry III gifted the baronial lands of Simon de Montfort to his second son Edmund. A year later, he added the estate of Robert Ferrers, Earl of Derby and then the 'honor, county, town and castle of Lancaster', giving Edmund the new title of Earl of Lancaster.

In 1267, Edmund received further gifts of lands from his father, including the manor of Newcastle-under-Lyme in Staffordshire and various lands and estates across Yorkshire and Lancashire. This substantial inheritance was further enhanced by Edmund's mother, Eleanor of Provence, who bestowed on him the manor of the Savoy in 1284.

On his death, Edmund's inheritance passed to his son Thomas, Earl of Lancaster who was later executed for rebellion by King Edward II in 1322. As a result, Thomas's lands and titles were originally forfeited, but eventually

Lancaster Castle's medieval Keep, built circa 1100

His Majesty King Charles III, Duke of Lancaster.

Introduction *continued*

Coronation of the nine-year old Henry III (1216)

John O'Gaunt, 2nd Duke of Lancaster (1362)

passed to his brother Henry and, on his death, to Henry's son, the celebrated diplomat and soldier Henry Grosmont, on whom Edward III conferred the title of Duke of Lancaster for the first time in 1351 'in recognition of (his) astonishing deeds of prowess and feats of arms'.

At the same time, Edward raised Lancaster to the status of a County Palatine for the duration of Henry's life. This gave the new Duke of Lancaster devolved royal powers, including administrative control of the law courts and the right to appoint senior officials serving the County, such as the sheriff, judges and local justices of the peace.

When Henry Grosmont died in 1361, the inheritance became part of his daughter Blanche's dowry. Blanche had married one of Edward III's sons, John of Gaunt, in 1359. John was thus made the second Duke of Lancaster in 1362 and he persuaded his father Edward to grant the Palatinate powers to him and his heirs permanently.

When John died in 1399, King Richard II confiscated the Lancaster inheritance and banished John's son, Henry Bolingbroke, from England for life. Within the year, however, Henry Bolingbroke returned from exile, raised an army and forced Richard to abdicate. He ascended the throne as Henry IV in October 1399.

One of Henry's first acts as King was to stipulate the conditions on which the Lancaster inheritance was to be held. He specified that it should be held separately from other Crown possessions, remaining always with the House of Lancaster.

However, after the War of the Roses, the bloodline of the historic Lancastrian kings was broken and Edward of York became King, taking possession of Henry's forfeited estates. In 1461, by Act of Parliament, Edward IV 'incorporated' the Duchy, declaring that the Lancaster inheritance should descend through the Monarchy as a private estate to be held 'for ever to us and our heirs, Kings of England, separate from all other Royal possessions'.

Some 300 years later, under the Crown Lands Act 1702, it was provided that the Sovereign should only receive income and not capital from the Duchy. This remains the case today.

The Duchy Today

More than 750 years on, the Duchy of Lancaster has in large part retained its historic land and property holdings. However, as a modern portfolio, its assets also include office, retail and industrial property, as well as development land.

The Duchy is administered by the Chancellor of the Duchy of Lancaster on behalf of the Sovereign. The Chancellor in turn delegates functions such as the management of the property portfolio, financial investments and the discharge of the Duchy's administrative duties to the Duchy Council. Members of Council are appointed by the Sovereign on the advice of the Chancellor. The day-

Introduction *continued*

to-day management of the Duchy is undertaken by the executive team who report to the Council.

The adjusted net surplus of the estate is paid to the Keeper of the Privy Purse for His Majesty The King as Duke of Lancaster. His Majesty voluntarily pays tax on all income received from the Duchy, as His mother Her Late Majesty Queen Elizabeth II did before him.

Guiding Principles

The Duchy of Lancaster is both the custodian of an historic landed estate and a professional organisation which operates as a contemporary asset management company. Its role is to preserve and enhance the long-term capital value of the ancient inheritance while maintaining a sustainable income for the Duke.

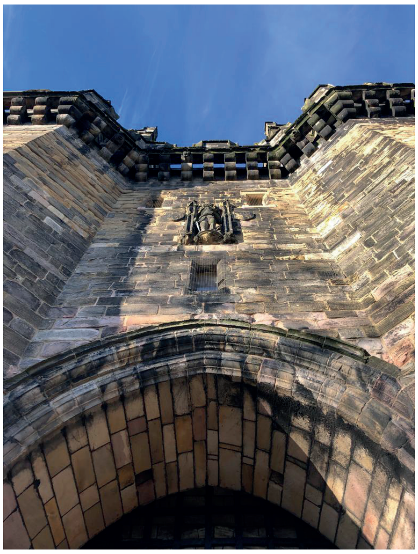
Our objective is to continue to deliver sustainable revenue growth while working with our tenants and local communities to provide appropriate help and support wherever practicable. Our business strategy is continually reviewed and updated in response to market changes to ensure that the organisation remains appropriately focused and balanced.

As a major owner of agricultural land and areas of outstanding natural beauty across England and Wales, the Duchy has a responsibility to safeguard its natural capital for future generations. Our partnership with our agricultural tenants therefore extends beyond the contractual and includes the provision of professional support and guidance.

Land use is monitored and investment in new and sustainable farming practices actively encouraged. The Duchy Council remains keen to support strategic diversification and innovation as a means of safeguarding the stability and long-term sustainability of the estate as a whole.

For a number of years now, our areas of focus and partnership have included: the identification and mapping of the biodiversity across our holdings; the introduction of measures to protect and enhance the natural habitats on which this biodiversity depends; the development of responsible soil management strategies to improve the quality and productivity of the land; and plans to improve the quality and scope of our woodland.

We will continue to encourage our agricultural tenants to improve the quality and productivity of the land they farm. We believe that this is critical to the health and profitability of their farming businesses, as well as being a key tenet of the Duchy's long-term environmental and sustainability strategy.



Lancaster Castle's imposing John O'Gaunt Gate

Duchy of Lancaster offices, Lancaster Place, Savoy Estate

The Surveys

Minerals

The Duchy has an extensive mineral portfolio which extends from South Wales to North Yorkshire. It consists of limestone and sandstone quarries which supply material to the UK construction sector and a mine supplying gypsum to the cement industry.

Rural Surveys

There are five Rural Surveys within the Duchy: Cheshire, Lancashire, Southern, Staffordshire and Yorkshire. All five are managed in house by a multi-disciplinary team of rural surveyors, estate managers and rural accountants, based in our London and Lancaster offices.

• Cheshire

The Cheshire Survey extends to 3,512 acres and is made up of the Crewe estate to the south of the county and the smaller Marbury estate which lies on the Cheshire/Shropshire border. Centred on the historic properties of Crewe Hall and Crewe Hall Farm, the Crewe estate extends to 3,430 acres, stretching from the edge of the town to the M6 at Junction 16.

There are 10 main farms on the estate which are involved in dairy, arable and livestock production, as well as equestrian businesses and woodlands.

Park Farm, Crewe Estate, Cheshire.

At Crewe Hall Farm, the Duchy has created a highly sought-after business address, with a number of companies in flexible office suites of varying sizes surrounded by views of the open countryside.

The estate also includes a residential lettings portfolio of 67 rural cottages and farmhouses, as well as a motorway service area and a number of potential development opportunities.

The smaller Marbury estate on the Shropshire border consists of a single livestock farm and four residential properties let to local people.

• Lancashire

The Lancashire Survey extends to 9,875 acres in total, comprising four rural estates: Myerscough, Salwick, Whitewell and Wyreside. The Duchy has owned Myerscough since the 13th century. There are six principal agricultural holdings on the 1,477-acre estate, including three which form part of the renowned agricultural training centre at Myerscough College. Five residential properties and 21 commercial and miscellaneous lettings are also part of the estate.

The 1,177-acre Salwick estate is predominantly farmland, but includes around 37 acres

The Surveys *continued*

Langden Holme Farm, Whitewell Estate, Lancashire

of woodland, as well as three residential properties and nine commercial and miscellaneous lettings. There are four equipped agricultural holdings on the estate, the majority of which are dairy farms.

At 6,464 acres, Whitewell is the largest estate in the Survey. It lies within the Forest of Bowland Area of Outstanding Natural Beauty and includes ten main farms, 41 residential properties and over 30 commercial and miscellaneous lettings.

The residential properties are clustered around picturesque villages such as Dunsop Bridge, while the commercial interests include office units, a post office, village store, café, and hotel/restaurant.

The Wyreside estate covers some 757 acres, including one main agricultural holding and nine residential properties. There are also 39 commercial and miscellaneous lettings, ranging from private fishing lakes to family camping and caravan parks.

• Southern

The Southern Survey incorporates the Duchy of Lancaster's land and property assets in Lincolnshire, Derbyshire, Northamptonshire and South Wales. It extends to a total of 8,922 acres.

At Castleton in the Derbyshire Peak District, the Duchy owns 306 acres of grazing land which is open to public access as well as Peveril Castle, the Peak Cavern tourist attraction and historic mineral rights under a wide area.

The Northamptonshire estates are centred on the 13th century inheritance of Higham Ferrers and Wollaston, with a total land

Foreshore

The Duchy of Lancaster's ancient foreshore runs from the River Mersey in the south, to Barrow-in-Furness in the north and consists predominantly of the land between High Tide and Lowest Astronomical Tide. It includes around 100 lettings for a variety of uses, from sheep farming to renewable energy infrastructure and bridges.

The Surveys *continued*

Castles and Historic Properties

A number of castles and historic properties are also included in the ancient Duchy inheritance, including Lancaster Castle and The King's Chapel of the Savoy. Most are managed on the Duchy's behalf by the relevant local authority or agencies such as English Heritage. Only Lancaster Castle, Tutbury Castle and The Savoy Chapel are managed directly by the Duchy.

holding of 1,955 acres, consisting mainly of arable farms. They also include the historic Chichele College, an 18-hole golf course at Rushden and a Vocational Skills Academy at New Farm College developed jointly by the Duchy and Moulton College.

In South Wales, the Ogmore estate consists of 3,997 acres of common land and includes an active limestone quarry, a castle and a championship golf course at Southerndown. The remaining 69 acres are made up of smaller land holdings across the Southern Survey which include castles at Bolingbroke, Halton and Tickhill.

• Staffordshire

The Staffordshire Survey comprises the 7,397-acre Needwood Estate. Historically a large area of ancient woodland with extensive stocks of wolf, wild boar and fallow deer, today the Needwood estate comprises a mix of 44 arable, dairy, sheep and beef farms, 51 residential properties and 43 commercial, sporting and miscellaneous lettings. The commercial interests across the estate are diverse and range from specialist equestrian centres and liveries to fishing licences, live/work units and a private airfield.

In 2015, the Duchy entered into a ten-year woodland management plan to improve the quality of over 1,265 acres of existing woodland, parts of which are open to the public. The Countryside Stewardship Woodland Improvement agreement with Natural England was renewed in 2022 for a further five years. Areas of the estate also form part of the National Forest designation and have been planted with new woodland in conjunction with the National Forest Company.

Coton Hall Farm, Needwood Estate, Staffordshire.

• Yorkshire

The Yorkshire Survey covers 15,127 acres across four main estates: Cloughton, Goathland, Pickering and Pontefract.

Cloughton is made up of 2,375 acres of arable and pasture land, as well as 31 residential tenanted properties. The creation of a sustainable new model farm at Fields Farm in 2015 relocated the agricultural operation into the

The Surveys *continued*

open countryside and facilitated the development of new and affordable family homes in the heart of the village. There are eight commercial lettings on the estate, including two pubs and two café / bistros, as well as 15 holiday cottages at Scalby Lodge which are managed in hand.

The 9,521-acre Goathland estate includes a large area of heather moorland, much of which is a Site of Special Scientific Interest (SSSI). Upland grazing and moorland form the majority of the let interests on the estate.

The Pickering estate is home to a mix of arable and livestock farming. The 2,854-acre estate includes 736 acres of mixed forestry.

The 378-acre Pontefract estate lies on the edge of the town and primarily consists of one large farm, several commercial lettings and one residential property.

Urban Survey

The Duchy's Urban Survey includes land and buildings on the Strand in Central London, Harrogate and Crewe, as well as a portfolio of industrial/warehouse investments in London, the South East, the Midlands and the North West.

The Savoy estate in London is the single largest asset block in the Urban portfolio, comprising office and retail space. It is bounded to the north and south by the Strand and Embankment respectively and to the west and east by the Savoy Hotel and Somerset House.

The estate is well placed to take advantage of the mid-town commercial market, being served by excellent transport links and benefitting from the public realm improvements instigated by the Northbank Business Improvement District and the creation of a

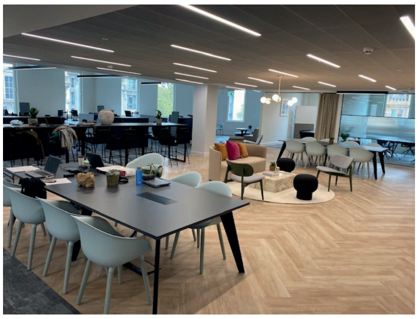
Holiday Cottages

The Duchy owns 16 luxury holiday cottages, the majority of which are at Scalby Lodge near Scarborough. The cottages have received 4- or 5-star ratings from national tourist and holiday organisations.

West Blansby Farm, Pickering Estate, Yorkshire

The Surveys *continued*

Brettenham House, Savoy Estate



Office fit-out, 9 Savoy Street, London

Warehousing and industrial spaces

Multi-occupancy office blocks

recently pedestrianised plaza on the Strand.

Employers are increasingly looking for best-in-class offices to attract and retain staff. This has led to the installation of wellbeing facilities in our most recent office developments, including the refurbishment of SavoyStrand, which includes open air roof terraces and high quality shower and cycle storage facilities. The development completed in March 2022 and has been fully let to eight commercial tenants.

The wider portfolio includes a number of industrial/warehouse properties, with the core holdings in established locations such as Tower Bridge Business Park in Greater London, Basingstoke, Harlow and Swindon in the South, Birmingham and Redditch in the Midlands and Manchester, Blackburn and Speke in the North West.

Strategic Development

The Duchy is mindful of the shortage of high quality and affordable living accommodation available to local people in rural communities and we are keen to support the design and delivery of development schemes which are sympathetic to the natural landscape, while complementing the character of the surrounding environment.

With that in mind, we continue to work with the relevant local authorities to address the need for good quality housing in line with the local plan process. When considering any such development proposals, the Duchy is committed to ensuring high standards of design and specification, including innovations to improve energy efficiency and running costs wherever possible.

Our aim is to deliver practical and sustainable solutions in consultation with the local community.

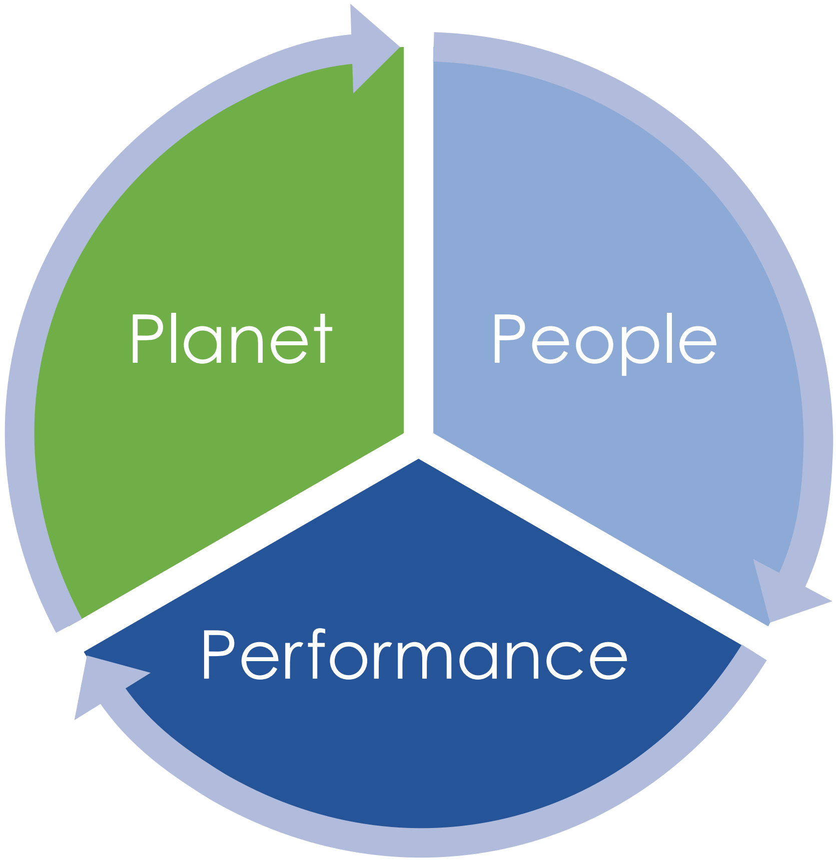
Financial Portfolio

As part of its strategic asset allocation policy, the Duchy holds a financial investment portfolio. This takes the form of equities, bonds and other financial investments which help to provide liquidity within the wider portfolio.

Our investment policy follows the advice and professional recommendations of third party investment consultants and fund managers. Decisions are made on the basis of appropriate asset allocation.

Our Sustainability Journey

As one of the country's historic landed estates, we understand that the decisions we take today have a significant impact on the health and wellbeing of future generations. We also acknowledge that humanity's social and economic needs can only be met in harmony with the needs of nature and the natural world.



We have a clear responsibility to do all that we can to look after the planet and our natural capital for the longer term. To achieve a more secure future for both people and planet, we all have to play our part. We must act now to ensure a more sustainable future for all.

To help us communicate our key sustainability objectives to our staff, tenants and the local communities on and around Duchy property, we have articulated our sustainability ambitions under three headings: **Planet**, **People** and **Performance.**

This provides us all with a common understanding of, and commitment to, the journey we are undertaking and the overarching principles of our common ambitions. We have also identified three core objectives under each of these thematic headings and we are developing a series of actions and metrics to help us deliver on our ambitions and which will form part of a wider sustainability programme across all areas of the business:

Our Sustainability Journey *continued*

Although there is much still to do, we have made encouraging progress on our journey towards the delivery of these ambitions over the past year (see Figure 1 below).

Figure 1: Key milestones on our sustainability journey

Our Sustainability Journey *continued*

Climate Action

As part of our commitment to understanding and reducing our impact on climate change, the Duchy is continuing to report greenhouse gas emissions annually. Our Scope 1 and 2 greenhouse gas emissions (together termed 'operational emissions') are voluntarily presented in line with the Streamlined Energy and Carbon Reporting (SECR) guidelines below. We have set a target to be net zero for Scopes 1 and 2 emissions by 2028.

Energy usage has remained broadly flat compared to the previous year, but remains noticeably ahead of the 2021-22 benchmark. The intensity factor $kgCO_2e/m^2$ has decreased, due to an increase in the number of shared spaces across the Urban Survey, bringing more area into the Duchy Scope 1 and 2 calculations.

As can be seen in Figure 3, the Scope 1 and 2 emissions per Duchy occupied property vary considerably. Lancaster Castle records the highest level of emissions, partly due to its size and the ancient fabric of its buildings. The Duchy is currently implementing a programme of restoration and repair works in many of these historic buildings in order to improve their energy efficiency as much as is practicable.

Figure 2: Scope 1 and 2 greenhouse gas emissions

Carbon statement[1]	2023-24 tCO_2e	2022-23 tCO_2e	2021-22 tCO_2e (baseline)
Scope 1 - Energy used in property	118	118	145
Scope 1 - Business travel	6	5	16
Scope 2- Energy used in property	5	5	5
TOTAL EMISSIONS	**129**	**128**	**166**
Intensity factor $kgCO_2e/m^2$	19	29	37
Intensity factor tCO_2e/FTE	4	4	5
ENERGY USED IN PROPERTIES			
Gas - gross	100	101	122
Electricity - gross	157	120	101
Avoided emissions[2]	(152)	(115)	(96)
Heating oil and diesel fuel	18	17	23
TOTAL	**123**	**123**	**150**

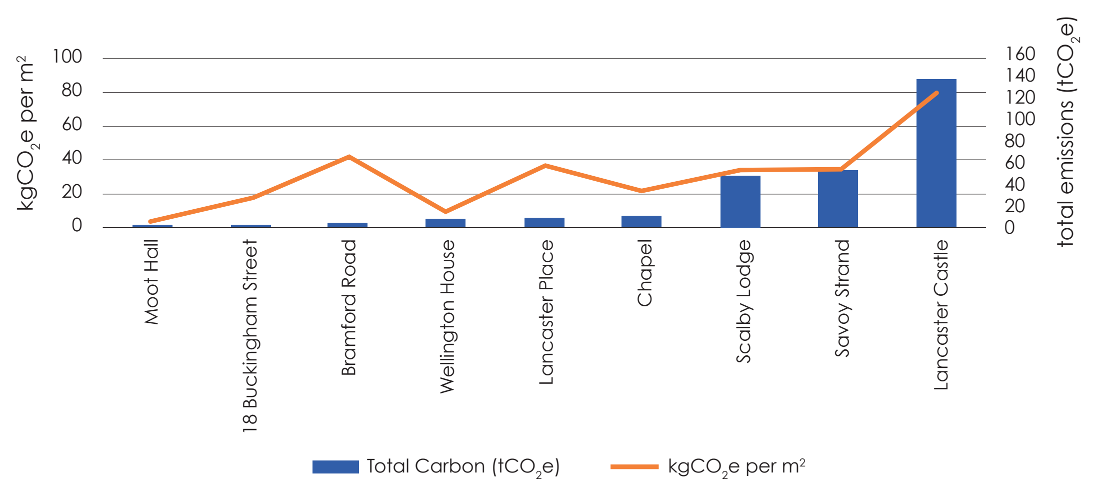
[1] This Carbon Statement presents the carbon emissions data from the activities and assets under the ownership and direct management of the Duchy. The communal areas of Wellington House and Savoy Strand that are tenanted have been included in the Scope 2 for the first time this year 2023/24 but historic data is not available for 2022/23 or Baseline 2021/2022. The electricity used in these areas is REGO as in footnote 2.

[2] Electricity emissions savings are achieved through the purchase of renewable electricity tariffs, Renewable Energy Guarantee of Origin (REGO) Certificates.

[3] Energy usage is calculated directly from meter readings.

Our Sustainability Journey *continued*

Figure 3: Scope 1 & 2 emissions per property



This year we have also started to measure our Scope 3 emissions, which we will report on in future years.

As is common with land and property businesses where tenants have operational control of the way that land and property is managed, it is more complicated to measure greenhouse gas emissions. It is also common for these Scope 3 emissions to be considerably higher than Scope 1 and 2 emissions.

The Duchy has set a target to be net zero across Scope 3 emissions before 2050, which will require close collaboration between the Duchy and its tenants.

We recognise that the impacts from a changing climate could result in significant risks for the estate in the longer term.

While a formal assessment of these risks has not yet been conducted, the extreme weather observed over the last 12 months and in recent years highlights the challenges that we are likely to be faced with over the coming years as climate impacts worsen. This is especially relevant to our farm tenants, whose businesses rely on well-balanced seasonal weather patterns.

Highlights of 2023-24

Sharing knowledge and practical experience

The Duchy hosted an informal meeting of Lancashire farming tenants in Whitewell as part of our drive to encourage them to learn about the regenerative farming practices adopted by their peers and to share their own ideas and practical experiences.

Over 20 tenants attended the evening event which included a presentation from our guest speaker, Angus Dalton, a first-generation farmer who owns 750 acres of grassland at the southern tip of the Peak District. Angus has been evolving his farm from a conventional dairy to a purely grass-fed rotational grazing herd with low inputs.

Among the practical tips shared by Angus was the principle of dividing fields into smaller paddocks using temporary electric fencing and small mobile water drinkers. This enables intensive grazing on a very small area for a short period, allowing farmers to graze up to 200 cows on a single acre in just one day, before they rotate onto another area the following day. Angus stated that he was saving circa £100,000 on overwintering feed costs as a result of this changed approach.

As many of our Whitewell tenants are farming in an area that receives circa 120 inches of rain on shallow soil over clay per annum, the presentation prompted a great deal of commentary and challenge. However, when asked about the practicalities of out-

wintering in an area with such high rainfall, Angus pointed out that herbal leys, with their established root structures, recover quickly and significantly improve soil drainage.

In another tenant farmer workshop, one of the Duchy's tenants at Wood End Farm on the Whitewell Estate in Lancashire held a very successful 'Pasture for Life' (PfL) event at the end of August. Janet Smalley is a passionate advocate of soil health and regenerative farming methodologies, and she and her husband Andrew are one year into the process of transforming their traditional farming business at Wood End Farm into a more sustainable and regenerative enterprise.

In 2021, after attending one of the Duchy's soil health workshops at Loddington, Janet was inspired by the idea of a new way of working and has been systematically introducing new methodologies ever since. The PfL event attracted local farmers keen to explore ways of improving their ruminant livestock businesses, from exploring ways of increasing productivity to dealing with rising input costs through a greater reliance on natural processes.

A farm walkabout immediately after the session allowed plenty of opportunity for further discussion and a frank exchange of views, ideas and experiences. Everyone who attended found Janet and Andrew's honesty and openness regarding their experience to date

Highlights of 2023-24 *continued*

and the practical implications of adapting to new practices both refreshing and informative.

Re-purposing redundant buildings for local families

Rather than building new buildings, it is often more sustainable to update and improve existing buildings for modern use. One such project has been the repurposing of three stone-built redundant barns in the curtilage of a 1747 Grade II listed farmhouse on the Wyreside estate in Lancashire.

Banton's Farm Barns have been sympathetically restored, rebuilt and refurbished to create three new, individually designed and energy-efficient homes for local families. The three units were all certified EPC B in terms of their energy performance rating and were let to local families within weeks of completion.

In accordance with the Duchy's sustainable design guide, the new homes have been built using local materials such as Cumbrian slate and local stone, and benefit from heating and hot water systems fed by ground source heat pumps. They also include natural wool carpeting and underlay throughout, as well as marmoleum, a floor covering created out of natural raw materials with no use of synthetic materials in the manufacturing process.

Swift boxes have been built into the exterior walls and bat and bird boxes installed in the surrounding woodland. A native mixed hedgerow, interspersed with trees, lines one side of the access drive and each of the houses has access to an EV charging point.

Families, particularly those in rural areas, are increasingly looking for flexible interior spaces which combine contemporary comfort with traditional styling. These new homes have been designed to meet that need, both today and for future generations. They are a clear manifestation of the Duchy's commitment to improving the long-term sustainability of its property portfolio and to enhancing the rural landscape for the benefit of local communities.

Improving energy efficiency in commercial buildings

This year we have completed the refurbishment of a large warehouse at Tower Bridge Business Park in London, with a scheme which we hope will set the standard for future commercial refurbishment schemes.

When Unit A became empty in 2022, the Duchy took the opportunity to review its refurbishment proposals so that these could be clearly aligned to the organisation's sustainability ambition and objectives. We

Highlights of 2023-24 *continued*

developed new proposals which included office heating and cooling systems powered by air source heat pumps, the addition of 305 solar PV panels to the roof (generating an estimated 117,000 kWh per annum), the installation of new double-glazed windows, insulated doors and roller shutters and the provision of six electric Podpoint 7kW chargers on site. The project also included the creation of a new lockable, covered cycle store with a green roof and four new staff shower rooms.

Extensive planting has taken place on site, including twenty new native species trees and 140 metres of new hedging and pollinator-friendly plants. In addition, twenty-four swift boxes have been built into the eaves of the rear elevation, with a further four bird boxes and five invertebrate boxes added to the existing trees.

The biodiversity assessment on completion demonstrated a twenty per cent net gain in habitat units and a 100 per cent net gain in hedgerow units. The building achieved an EPC rating of A+ and we are hoping to receive a BREEAM 'Excellent' certification from the Building Research Establishment in due course.

Responsible woodland and hedgerow planting

Following the success of a similar project on the Whitewell Estate in Lancashire last year, the Duchy has planted almost four kilometres of hedgerows across its Crewe Estate in Cheshire. The work focused primarily on the 'gapping up' of existing hedges, supplemented

by new and additional planting, including the incorporation of in-hedge trees. These improvements complement the natural landscape and character of the estate, while also providing habitats for species of insects, birds and small mammals such as hedgehogs in the borders and margins of our farmland.

As in Whitewell, the team worked with our tenant farmers to identify those hedges in need of attention and restoration. Based on a detailed survey of hedgerows across the estate previously undertaken by the Game and Wildlife Conservation Trust (GWCT), as well as our own latest mapping data, the rural team identified almost four kilometres of hedges that were successfully planted and restored under the guidance of His Majesty The King's Head Forester, Geraint Richards. Geraint, who started his career with the Forestry Commission before joining the Duchy of Cornwall in 1996, advised on both the hedge mix and the species of trees to be planted to ensure that the end result reflects and enhances the local landscape. The in-hedge trees include oak, field maple, sycamore, lime and hornbeam.

A number of significant timber harvesting and replanting

Highlights of 2023-24 *continued*

operations have also been carried out across the rural estates this year.

On the Needwood estate in Staffordshire and the Pickering estate in Yorkshire, these works have concentrated on the removal of diseased ash trees, while on the Whitewell estate in Lancashire, the focus has been on larch infected with *phytophthora ramorum*. Further thinning and removal is anticipated next year and we have established good working relationships with our tenants, local authority officers, Natural England and the Forestry Commission, as well as a number of specialist contractors across the estates. Where felling operations have been carried out, these have been completed safely with minimum public disruption. The woodlands have also been restocked, using an appropriate mix of native and indigenous species.

As part of our commitment to ensuring future farm resilience and enhanced landscapes/biodiversity in rural areas, we have worked

with one of our tenants to create a new 100-acre parkland on the Needwood Estate in Staffordshire and planted three new avenues and a crab apple orchard on land around Crewe Hall Farm Buildings in Cheshire.

All new planting is designed to improve the long-term sustainability of the landscape, provide attractive environments for walkers, ramblers, residents and workers and to protect and increase habitats for the rich biodiversity of the Duchy's rural portfolio.

Safeguarding our national heritage

Part of the Duchy's remit as the custodian of an ancient inheritance is the protection and preservation of a number of architecturally important heritage buildings such as Lancaster Castle.

This Grade I Listed Building and Ancient Scheduled Monument, deemed by English Heritage to be 'not only the North-West's most important historic and archaeological monument but also (one) of international importance', was unexpectedly returned to the Duchy in 2011, having served as a Prison since the 12th century.

In recent years, the Duchy has brought many of the Castle's Georgian buildings back into public use, creating a much-loved heritage destination in the heart of the city. A wide-ranging programme of conservation works has been carried out to ensure that the fabric of the buildings is made

Highlights of 2023-24 *continued*

wind- and water-tight, that all areas comply with contemporary health and safety regulations and that the Castle buildings are certified as safe for the visiting public to enjoy.

As a result, today there is a thriving and growing creative community based at the Castle, including a stone sculptor, traditional embroidery and needlework expert and artisan coffee baristas, as well as a professional conference facility let to Lancaster University and an interactive exhibition detailing the history of the Lancashire Constabulary in the former prison cells of A-Wing.

This year, as well as a number of smaller projects to create new workshops, additional WCs and an environmentally friendly and sustainable 'cork-based' surface for the children's play area, important remedial works have started on the medieval Keep. This 12th century building is being sensitively stripped back to its original form and fabric so that historians and archaeologists can understand more about its history and ensure that it is made safe for visitors to enter.

Archaeological investigations undertaken in advance of the works will help to inform a number of educational tools and interpretation boards for schools and visitors once works have been completed.

Strategic Report

Our Ambition

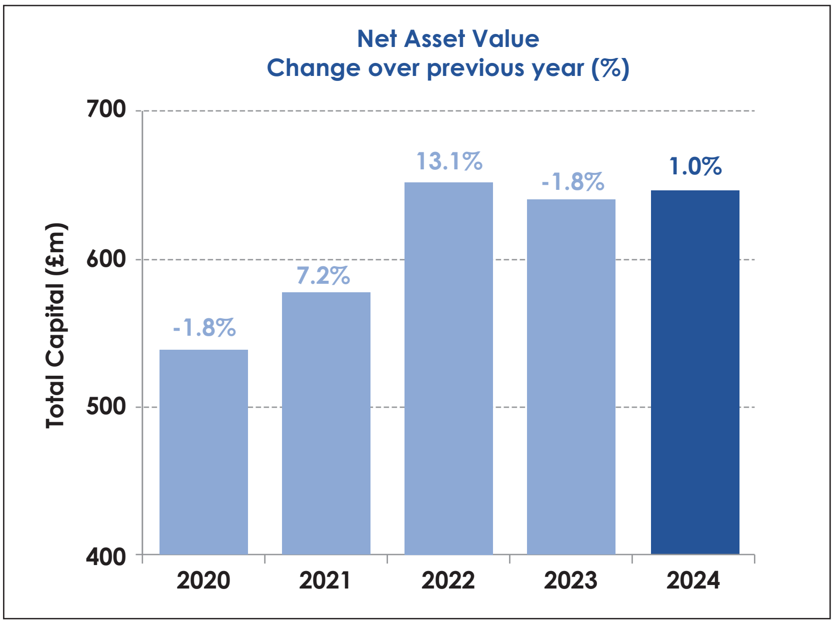
The Duchy's overarching objective is to become one of the most respected let landed estates in the country. We will achieve this by:

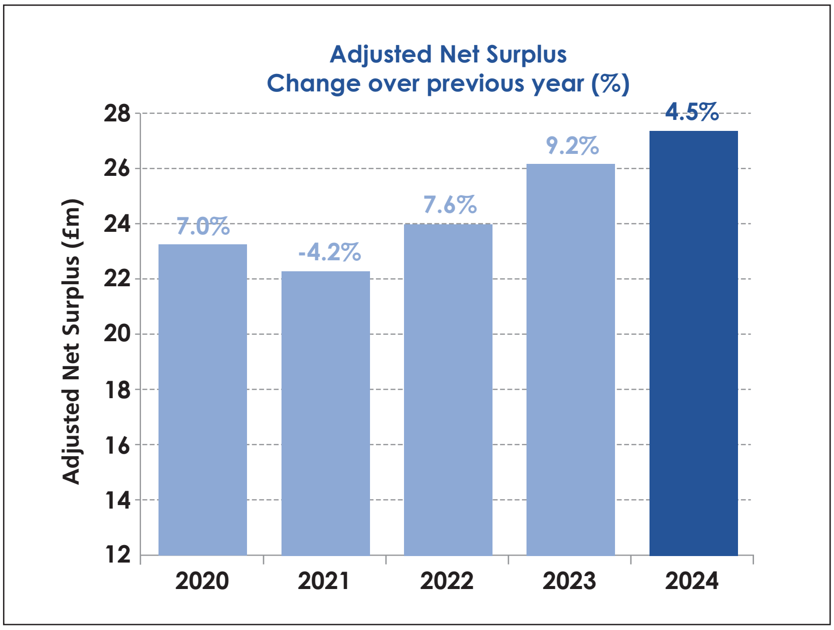
- Maintaining supportive and constructive tenant relationships
- Continuing our investment in restoration and maintenance
- Investing in our sustainability programme
- Protecting the surplus and value of the portfolio for future generations.

We have a detailed plan which addresses our sustainability programme, encompassing biodiversity and soil management in our agricultural portfolio, reducing our own operational greenhouse gas emissions, addressing the energy efficiency of properties across our portfolio, expanding and improving the management of our woodlands, continuing to improve our community engagement and applying responsible investing principles to our financial portfolio.

Some of our initial steps on this sustainability journey are outlined on pages 11 to 14. Going forward, we will continue to extend our benchmarking and performance measures which will enable us to demonstrate and enhance the value of our activities and investment in these critical areas.

A summary of the financial performance over the last five years is shown below:





Adjusted Net Surplus is an alternative performance measure which removes the effects of IFRS16 treatment of rent paid and rent recievable.

Strategic Report *continued*

Financial Review

The Duchy's overarching objective is to continue to deliver sustainable revenue growth, while working with our tenants and local communities to provide appropriate help and support to them and their families. Our financial performance for the year is detailed on pages 34 to 38 of the accounts and related notes. We are pleased to report that in year:

- The net asset value has increased by 1% to £647.6m (2023: £641.2m).
- The adjusted net surplus has increased in the year by 4.5% to £27.4m (2023: £26.2m).

Gross estate income (£31.4m) has grown 5.7% on the previous year. This is due to strong revenue growth from the Urban Survey, which has increased 8.7% to £21.0m. With agricultural and residential rents flat in the year compared to the prior year, other income growth came from our Foreshore portfolio, which has increased by 8.7% to £2.9m and increased returns from our financial portfolio, which grew by £1.8m to £4.5m. Interest payable in the year increased by £0.7m as the final £10m tranche of our previously arranged Private Placement was drawn down.

The adjustment for rent-free periods required by IFRS 16 fell by £0.8m to £1.2m. This was largely due to tenants at SavoyStrand occupying units for a first full year, thereby reducing the difference between rent paid and rent recognised under IFRS 16.

Both our cashflow and surplus forecasts for the coming years reflect the risks presented by some tenancies coming to an end, but also the opportunity for us to successfully deliver and re-let high quality refurbished accommodation to new and existing tenants.

The value of our investment properties increased by £19.1m in the year, an increase of 1.2% on a like-for-like basis after allowing for sales and capital expenditure. This was largely due to a 3.6% increase in valuation of the Duchy's agricultural assets, driven by a continuing positive market. This increase was partially offset by a smaller increase of 1.0% in commercial values. Over the year, the Duchy spent over £13m on redevelopment, permanent repairs and improvements to its land and property assets, plus costs associated with progressing opportunities for development land. We received an aggregate of £1.3m from property sales and other capital receipts (2023: £6.7m).

The capital value of the financial portfolio fell by £10.1m to £64.8m, due to the switch of £10m from equities to cash during the year, taking advantage of the high interest rates available. Income generation from the portfolio was strong in the year at £3m (2023 £2.5).

There has been a decrease in the unrealised value of the interest rate swaps of £2.2m during the

Whitewell Estate, Lancashire

Valley Farm, Crewe Estate, Cheshire

Strategic Report *continued*

Rooster, Walnut Tree Farm, Crewe estate, Cheshire

Spring lambs, Needwood estate, Staffordshire

year, with a year-end balance of £12.4m. This reflects both the time to maturity and expectations of lower interest rates in the future.

Liquidity and the Financial Portfolio

The Duchy has gross borrowings of £152m and continues to benefit from low interest rates secured through fixed interest loans taken out previously, with an average cost of debt of 2.1%, fixed for the duration of the loans.

Council guidance is that borrowings should not exceed 25% of net assets. That ratio stands at 23.5%. External covenants have higher limits for borrowings to net assets.

As well as generating income for the Duchy, the financial portfolio remains a major additional source of liquidity to meet capital expenditure. The portfolio is professionally managed by a range of external fund managers with an increasing focus on ESG matters. Regular review meetings are held with these fund managers to allow us to monitor our investments and track their performance. Stanhope Capital act as the Duchy's investment consultant in order to maintain a proper degree of independent scrutiny of the financial portfolio and its management.

In addition to the financial portfolio, the Duchy has recourse to additional sources of liquidity, including the sale of non-core properties and development land.

Principal risks and uncertainties

We continue to engage with our tenants as they respond to the challenges of the current economic environment. Despite challenges to the economy, we remain cautiously optimistic that our assets will continue to perform and we remain committed to improving the portfolio as we continue to develop a more sustainable business.

Each year, the Duchy updates its five-year business plan and prepares rolling forecasts for the year ahead. These budgets and forecasts are presented to Duchy Council for approval. This process, coupled with input from our advisory committees, ensures the Duchy remains informed of short-, medium- and long-term risks in our chosen markets. This continual reassessment of strategic options underpins managed growth and ongoing viability.

Strategic Report *continued*

Management of risk is key to the success of the Duchy and based on a control framework with low delegations of authority. The Duchy has a comprehensive risk management process in place within a framework of operational reporting and controls, formal Risk Registers and regular presentations at the Audit and Risk Committee and Duchy Council. The material risk categories that face the Duchy are focussed on the following areas:

Type of risk	Movement in year	Commentary
Health and safety	↔	Continued focus on safe working conditions and effective reporting
Employee	↔	Clear organisational structure, with good communication and understanding of corporate values and culture
Financial	↔	Effective management of assets and income streams
Market and macro-economic	↑	Increased interest rates affecting property values and debt affordability
Business operations	↑	Heightened cyber risk caused by increased global attacks
Governance	↔	Control environment in place, ensuring appropriate standards of governance across the business

Pollen and nectar mix field margins, Staffordshire

Heather moorland, Goathland estate, Yorkshire

Health and Safety Risk

Risk Area	Explanation of Risk	Response and Management
Working environments	Inadequate health & safety policy and procedures to maintain appropriate standards for the Duchy's staff and visitors.	• The Duchy's health & safety policy is prepared in association with NFU Risk Management Services and covers all aspects of health & safety for our employees and visitors, as well as procedures for the reporting of incidents. • We have a clear line of responsibility for health & safety matters which has been communicated to all staff, namely: Chairman of Council- CEO - specialist health & safety advisor. • There is a comprehensive suite of online health & safety training courses in place which are mandatory for all staff. • High priority and visibility is afforded to all health & safety reporting across the business, from Survey to Council level.
Tenanted properties	Inadequate health & safety policy and procedures regarding Duchy responsibility for tenants on agricultural properties, common land and built heritage assets.	• Regular communication of our health & safety policies with our farming tenants and the raising of awareness of risks through regular Health & Safety forums.
Construction sites	Lack of clarity over responsibility for health & safety matters in relation to construction or other works.	• Responsibility for ensuring appropriate health & safety procedures are followed on site is clearly passed to suppliers and/or contractors as part of the Duchy's contract and appointment documents. Suppliers and/or contractors are required to provide comprehensive health & safety risk assessments and method statements, as well as timely reporting of incidents/accidents • Appointment of competent person (under CDM regulations) on larger sites where required.

Strategic Report *continued*

Employee risk

Risk Area	Explanation of Risk	Response and Management
Employees	Failure to attract and/ or retain high quality employees.	• Individuals work with line managers to agree their own performance objectives at the start of the year. • Regular internal communication maintained to monitor performance against objectives, and appropriate training offered. • Annual remuneration review for all staff, supported by external benchmarking. • Easily understood annual bonus scheme in place. • Employee Assistance Programme in place.
Organisational structure	Organisation structure is insufficient or inappropriate to ensure the operational management of the Duchy's day-to-day business.	• Organisation structure is reviewed at least twice a year to ensure that resources and skillsets are appropriate and in place. • Comprehensive suite of online training and development tools available to all members of staff (some mandatory). • External HR consultants available to provide staff with expertise and guidance on all HR matters.
Corporate culture	Desired culture is not adequately defined and/or communication between staff is poor, leading to under-performance against expectations and/or failure to comply with policy and procedure.	• Small number of employees (35) and offices (2) allows for consistent and effective communication. • Corporate values, mission and vision clearly communicated to all staff as part of formal induction programme. • Regular internal communication, updating the team on progress against objectives, values and vision. • Annual company conference involving all staff takes place each year on one of the Rural Surveys.

Financial Risk

Risk Area	Explanation of Risk	Response and Management
Property risk	Our property holdings face risk around their carrying values and any effect that may have on debt covenants, risks around physical loss, contamination and the management of third-party liabilities.	• Diversified portfolio of property holdings across office, industrial, residential and agricultural sectors. • Regular contact with tenants to assess their specific needs and requirements. • Independent monitoring of tenant covenants. • Renovation and restoration works completed to high energy-efficiency standards. • On the ground asset reviews to assess potential contamination risks.
Investments and cash	Lowered returns due to market performance, coupled with loss of assets through error, fraud or irregularity.	• Market monitoring through Council and Finance Committee, assisted by professional external advisors. • Clear mandates to fund managers. • Clear delegated authorities, dual signing for cash transfers. • Expenditure approvals by department heads.
Financial performance	Insufficient finance to meet capital expenditure requirements, adherence to debt covenants, managing the lease expiry process to deliver a steady and reliable income stream, managing debt arrears.	• Regular 5-year cash flow projections, with continued analysis on potential divestment opportunities. • Measurement and monitoring of lease profiles. • Preparation of budgets, major lease event reports, 5-year budgets. • Significant headroom on all covenants and low levels of gearing.

Strategic Report *continued*

Market and macro-economic risk

Risk Area	Explanation of Risk	Response and Management
Rural leasing	Changes to agricultural leases, resulting in lower values for Duchy assets.	• Continuing to actively engage with our agricultural tenants to gain a full understanding of their businesses and the issues they are facing (eg. input cost inflation, increased cost of borrowing). • Proactive partnership approach driving sustainability improvements. • Monitoring and advising on potential changes to agricultural legislation through close liaison with and membership of representative organisations.
Commercial leasing	Changes to the office and industrial leasing market, resulting in lower values for commercial assets.	• Regular contact with existing tenants to understand their changing business needs and encourage growth. • Responding to market trends (eg. shorter leases, fully fitted out office premises, increased wellbeing faciltiies, greater energy efficiencies within buildings, etc.)
Environmental and climate change	Property obsolescence due to environmental regulation, tenants causing environmental damage and/or changes to the climate.	• Upgrade programme in place for improved Energy Performance Certificates (EPCs) following refurbishment projects. • Continuing to monitor assets and their management by tenants and third parties to ensure that this is aligned to the Duchy's environmental policies and that potential risks to the environment are mitigated. • Investing in energy-efficient materials and systems wherever possible to lower energy consumption.

Business operating risk

Risk Area	Explanation of Risk	Response and Management
Loss of office premises	Loss of ICT/office-based services, severely restricting capacity to operate.	• Alternative offices available for key staff if required. • Established working protocols for remote and home-working. • Daily data back-ups between offices.
Loss of Operating Systems	Failure of property and finance systems.	• Overnight data back-ups, including to Cloud-based storage, in place, operational and regularly tested. • Key servers recently replaced to increase capacity.
Cyber risk and data breach	Increased cyber risks, causing penetration and loss of control of Duchy systems.	• Use of accredited advisers and operating systems. • Comprehensive system of physical and software controls to mitigate potential cyber-attack. • Independent peer review of cyber risk management completed in January 2024.

Governance risk

Risk Area	Explanation of Risk	Response and Management
Inappropriate approvals	Transactions executed without the appropriate approvals, potentially exposing the Duchy to financial risk.	• Full documentation of all approval limits embedded into operational systems. • Procedures communicated internally and updated regularly. • Reference documents easily accessible to all Duchy employees.
Failure to detect fraud or theft	Loss or diminution of assets.	• Clear delegated authorities in place, with dual signing for all cash transfers.
Conflict of interests	Inappropriate approval of transactions.	• Annual completion of Register of Interests by all Duchy Council members and senior staff. • Standing agenda item at Committee and Council meetings.

Sir James Leigh-Pemberton CVO
Nathan Thompson CVO
4 July 2024

Report of Council

Ceiling quatrefoils, The King's Chapel of the Savoy

Henry Grosmont, 1st Duke of Lancaster (1351)

Review of Governance

Duchy Capital and Revenue

The Duchy of Lancaster is governed by a number of statutes which place constraints and controls upon the management and administration of the Duchy and its assets. The principal Acts are:

- The Crown Lands Act of 1702
- The Duchy of Lancaster Act 1817
- The Duchies of Lancaster and Cornwall (Accounts) Act 1838
- The Duchy of Lancaster Lands Act 1855
- The Duchy of Lancaster Act 1920
- The Duchy of Lancaster Act 1988
- The Trustee Act 2000

The Sovereign is entitled neither to the Duchy's capital nor to capital profits.

Church Livings

His Majesty The King in Right of His Duchy of Lancaster is Patron of 42 Church Livings.

Political and Charitable Donations

Charitable donations and direct grants were made from the net income from the *bona vacantia* and Palatinate accounts to the Duchy of Lancaster charitable funds. Total donations/grants in year amounted to £2.0m (2023: £0.9m).

The Duchy of Lancaster Charitable Funds

The Duchy of Lancaster charitable funds comprise three separate registered charities. The Duchy of Lancaster Benevolent Fund, formed in 1993, makes donations to a wide range of community initiatives and charitable causes primarily within the County Palatine. The Duchy of Lancaster Jubilee Trust was established in 2001 to benefit charitable causes in all areas associated with the Duchy. The Duke of Lancaster Housing Trust was incorporated in 2007 to provide affordable rural housing initially within estates in the ownership of the Duchy. The accounts of each of these charities are published separately and are available from the Charity Commission and from the Duchy Office.

Administration

The accounts are prepared in compliance with the Treasury Direction set out on pages 73-74. The Chancellor has designated the members of the Council of the Duchy of Lancaster as the Proper Officers and the Chairman of Council and Clerk of the Council are authorised to sign the accounts on behalf of Council.

The Proper Officers (who are the serving members of Council as below) are responsible for the preparation of accounts, which are required to be submitted to the Treasury and laid before both Houses of Parliament by Section 2 of the Duchies of Lancaster and Cornwall (Accounts) Act 1838.

Council of the Duchy of Lancaster

The Chancellor is responsible to His Majesty The King in connection with the affairs of the Duchy of Lancaster, separate from

Report of Council *continued*

View towards the Forest of Bowland, Whitewell estate,

his or her Parliamentary role. On 1 July 2000, the Chancellor revocably delegated certain functions, particularly those relating to asset management, to the Council. This revocable delegation has been reaffirmed by successive Chancellors. Certain powers relating to senior Duchy appointments and those duties conferred upon the Chancellor by statute are excluded from the delegation.

Appointments to the Duchy Council are made by His Majesty The King on the advice of the Chancellor. The Clerk of the Council is a member of Council and reports to that body, with Council being responsible to the Chancellor.

The Duchy of Lancaster is governed by a number of statutes which are detailed in the Report of Council on page 26 of The Report and Accounts. Authority for decision-making is delegated to the Duchy Council who have in place a framework of Committees to aid their decision-making responsibilities. These Committees are further divided into formal committees of the Duchy Council and advisory committees.

This section of the Report and Accounts provides an overview of the Duchy Committees and their roles and responsibilities.

Duchy Council

The current members of the Duchy Council are:

- Sir James Leigh-Pemberton, CVO (Chairman of the Council)
- Sir Michael Stevens, KCVO (Receiver General)
- Sonia Tolaney, KC (Attorney General)
- Nathan Thompson, CVO (Clerk of the Council and Chief Executive)
- Hugh Bullock (Member of the Council)
- The Marquess of Downshire (Member of the Council)
- Jill May (Member of the Council)
- Lucy Macdonald (Member of the Council)
- Alastair Martin CVO (Member of the Council)
- Alistair Elliott (Member of the Council)

Responsibilities of the Proper Officers

The Proper Officers are responsible for ensuring that proper accounting records are maintained with respect to the affairs of the Duchy and for preparing the Annual Report and Accounts in accordance with applicable law and UK-adopted international accounting standards and for submitting the Report and Accounts annually to the Lords' Commissioners of the Treasury in an agreed form.

Report of Council *continued*

Sunflower fields, Crewe estate, Cheshire

Yatts Farm, Pickering estate, Yorkshire

The Proper Officers are also responsible for safeguarding the Duchy's assets and for maintaining a satisfactory system of control over transactions affecting Duchy property in accordance with the statutes. In preparing the Accounts, the Proper Officers will:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- ensure that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts
- prepare the Accounts on a going concern basis.

The Proper Officers are responsible for the maintenance and integrity of the corporate and financial information included on the Duchy's website.

As far as the Proper Officers are aware, there is no relevant audit information of which the Duchy's auditors are unaware. The Proper Officers have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Duchy's auditors are aware of that information.

The Council believes that it is good practice to review the external audit function in line with the UK Corporate Governance Code.

Sustainability Policy

The Duchy of Lancaster is committed to protecting natural capital and improving sustainability across all areas of the business. Finding ways to protect the natural environment is at the core of everything we do. The key components of the policy are addressing climate change, reducing waste and encouraging biodiversity.

The evaluation and operation of the policy and associated procedures is monitored and reviewed by the executive team with oversight by Council to ensure that they remain effective and appropriate to the activities of the Duchy.

Statement on corporate governance

The UK Corporate Governance Code issued by the Financial Reporting Council is widely acknowledged as representing best practice in governance. Although the Duchy is not obliged to comply with the requirements of the Code, Council nevertheless supports the principles and provisions set out in the Code and seeks to comply with these in so far as they are applicable to the circumstances of the Duchy. A full compliance statement is produced internally and reviewed annually by Council.

Report of Council *continued*

There are two formal committees of the Duchy Council: Audit and Risk Committee and Remuneration and Nominations Committee. There are also three advisory committees to the Duchy Council: Finance Committee, Rural Committee and Urban and Strategic Development Committee.

Membership of these Committees is summarised in the Table below:

KEY: Chairman; Member; in attendance

	Duchy Council	Audit and Risk	Remuneration and Nominations	Finance	Rural	Urban and Strategic Development
DUCHY COUNCIL						
Sir James Leigh-Pemberton	Chairman		Chairman			
Sir Michael Stevens	Member	in attendance	Member	in attendance		
Sonia Tolaney	Member					
Nathan Thompson	Member		Member	Member	Member	Member
Hugh Bullock	Member					Member
The Marquess of Downshire	Member	Chairman		Chairman	Member	
Jill May	Member	Member		Member		
Lucy Macdonald	Member	Member		Member		
Alastair Martin	Member				Chairman	
Alistair Elliott	Member					Chairman
ADVISORS TO COUNCIL						
Toby Anstruther					Member	
Sir Francis Brooke				Member		
Ilaria Del Beato						Member
Richard Exley						Member
Jennifer Fitzherbert-Brockholes					Member	
Mark Hancock					Member	
Ross Murray					Member	
Paul Sedgewick					Member	
Merryn Somerset Webb				Member		
Mark Tentori				Member		
David Turner						Member
Mark Younger						Member
EXECUTIVE MEMBERS						
Adrian Bayliss						Member
Hugo Buchanan						Member
Hugh Bruce-Watt	in attendance					Member
Mark Coombs					Member	
Jonathan Murrin	in attendance	in attendance		in attendance	Member	Member
Lara Thompson					Member	

Report of Council *continued*

His Majesty The King, Whitewell estate, Lancashire

His Majesty The King, Pickering estate, Yorkshire

After 11 years at the helm, Mr Nathan Thompson CVO is to step down from his post as Chief Executive and Clerk of the Council in September 2024.

Nathan will be succeeded as CEO by the current Secretary and Keeper of Records for the Duchy of Cornwall, Mr Alastair Martin CVO.

Alastair has been a member of the Duchy's Rural Committee since 2019 and has served as a member of Council and Chair of Rural Committee since early 2023.

Formal Committees of the Duchy Council

Committee	Matters Reviewed
Audit and Risk	Three meetings were held in 2023/2024 to cover review of Risk Registers, ensuring the appropriate accounting treatments are in place, review of property valuations and liaison with external auditors.
Remuneration and Nominations	Two meetings were held in 2023/2024 to cover executive remuneration and key management appointments. No Council member or employee was involved in discussions about their own pay.

Advisory Committees to the Duchy Council

Committee	Matters Reviewed
Finance	Three meetings were held in 2023/2024 to review the investment portfolio, the performance of our fund managers and the move into Sustainable Equity Income Funds, as well as cash forecasts and management.
Rural	Two meetings were held in 2023/2024 to provide support to the Duchy executive and advice to Duchy Council. Financial performance (gross and net revenue), opportunities to make sustainability improvements across the estates and the maintenance and development of the built assets were discussed.
Urban and Strategic Development	Four meetings were held in 2023/2024 to provide support to the Duchy executive and advice to Duchy Council. Guidance was given on the strategic direction of the Urban Survey along with advice on urban estate policy, business planning and current market trends.

Report of Council *continued*

Internal control and risk

The Duchy of Lancaster operates within a control framework appropriate for its size. This incorporates:

- a defined management structure with appropriate delegation of authority to operational management
- the setting of detailed budgets and regular reporting against them
- the setting of specific targets to measure financial and other performance
- physical and computer security procedures and contingency planning
- risk assessment reviews.

Information on the use of financial instruments by the Duchy and its management of financial risk is described on page 22.

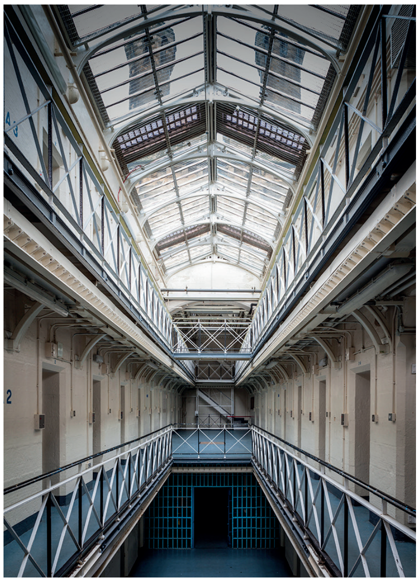
Going Concern

The Duchy's financial projections show that it has considerable financial resources and is forecast to operate within its available cash and other sources of additional liquidity for a period of at least twelve months. The Proper Officers report that, following a review of the relevant financial information, they have a reasonable expectation that the Duchy has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Viability statement

In line with the UK Corporate Governance Code, the Council has reviewed cashflow and surplus projections based on conservative assumptions for the next five years and considers that there is a reasonable expectation of being able to continue in operation and meet all liabilities as they fall due during that five-year period. A period of five years has been selected as the Duchy is able to control expenditure and has relatively predictable income streams.

Sir James Leigh-Pemberton CVO
Nathan Thompson CVO
4 July 2024



Inside the former prison wing at Lancaster Castle

Duchy of Lancaster coat of arms

Independent Auditor's Report to the Council of the Duchy of Lancaster

Opinion
We have audited the financial statements of the Duchy of Lancaster ("the Duchy") for the year ended 31 March 2024 which comprise the Revenue Account Statement of Comprehensive Income, the Capital Account Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Capital and Reserves, the Statement of Cash flows and the related 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 (IAS) as applied to the Duchy of Lancaster by The Accounts Direction given by the Treasury dated June 2024.

In our opinion, the financial statements:

- give a true and fair view of the state of the Duchy's affairs as at 31 March 2024 and its surplus for the year then ended;
- have been properly prepared in accordance with IAS as applied to the Duchy of Lancaster by the Accounts Direction given by the Treasury dated June 2024; and
- have been prepared in accordance with the Accounts Direction given by the Treasury dated June 2024.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Duchy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Proper Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Proper Officers with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Proper Officers are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- the information given in the Strategic Report and the Report of Council for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of Council has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Duchy and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of Council.

We have nothing to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Proper Officers' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Proper Officers
As explained more fully in the Proper Officers' Responsibilities Statement set out on page 25, the Proper Officers are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Proper Officers determine 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 Proper Officers are responsible for assessing the Duchy's ability to continue as a going concern, disclosing, as

Independent Auditor's Report to the Council of the Duchy of Lancaster (continued)

applicable, matters related to going concern and using the going concern basis of accounting unless the Proper Officers either intend to liquidate the Duchy or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the Duchy's financial statements to material misstatement and how fraud might occur, including through discussions with the Proper Officers, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the Duchy by discussions with management and updating our understanding of the sectors in which the Duchy operates.

Laws and regulations of direct significance in the context of the Duchy include The Accounts Direction given by the Treasury dated June 2023.

In addition, the Duchy is subject to other laws and regulations that do not have a direct effect on the financial statements but where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements; through a significant fine, litigation or prosecution. These include significant laws and regulations applicable to landlords, such as the Landlord and Tenant Act 1985, Tenancy Deposit Scheme, and Health & Safety Laws.

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the Duchy's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the Duchy's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Council, as a body. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Duchy and the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Jamie Younger (Senior Auditor)
for and on behalf of Saffery LLP
Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London
EC4V 4BE
4 July 2024

Revenue Account Statement of Comprehensive Income

	Note	**Year ended 31 March 2024 £'000**	Year ended 31 March 2023 £'000
Revenue	*2*	**35,212**	36,393
Operating costs	*3*	**(4,928)**	(5,439)
Administrative expenses		**(2,335)**	(2,466)
Operating surplus		**27,949**	28,488
Finance income	*5*	**4,449**	2,650
Finance costs	*6*	**(3,821)**	(2,928)
Net operating income		**28,577**	28,210
Net proceeds from bona vacantia	*9*	**78**	3,838
Duchy of Lancaster charitable funds and historical obligations		**(78)**	(3,838)
Net surplus for the year		**28,577**	28,210
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Actuarial (loss)/gain on retirement benefit obligations	*19*	**(345)**	504
Total comprehensive income on Revenue account		**28,232**	28,714

Net surplus for the year		**28,577**	28,210
Less non cash adjustments:			
Rent incentives (IFRS 16)		**(1,227)**	(2,049)
Adjusted Net Surplus		**27,350**	26,161

The notes to the accounts on pages 39 to 70 are an integral part of these financial statements.

Capital Account Statement of Comprehensive Income

	Note	**Year ended 31 March 2024 £'000**	Year ended 31 March 2023 £'000
Net gain/(loss) from fair value adjustment on investment property	*12*	**6,783**	(21,933)
Gain on disposal of investment property		**463**	771
Proceeds from termination of interest rate swap		**-**	887
Repayments to capital:			
Proportion of mineral royalties	*3*	**75**	95
Less recovery of capital valuation fees		**-**	-
Net (expenditure)/income from escheats		**(33)**	69
Staff costs recharged from revenue		**(594)**	(595)
Net gain on disposal of financial assets	*14*	**10,208**	372
Surplus/(loss) for the year on Capital account		**16,902**	(20,334)
Other comprehensive income:			
Items that will be reclassified to profit and loss			
Loss on the revaluation of financial assets measured at fair value through other comprehensive income	*14*	**(1,335)**	(2,174)
(Loss)/gain on financial derivatives		**(2,188)**	7,039
Items that will not be reclassified to profit and loss			
Net (loss)/gain on the revaluation of financial assets measured at fair value through other comprehensive income	*14*	**(8,770)**	1,469
Net gain/(loss) from fair value adjustment on other property	*13*	**959**	(87)
Total comprehensive gain/(loss) on Capital account		**5,568**	(14,087)

The notes to the accounts on pages 39 to 70 are an integral part of these financial statements.

Balance sheet

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Assets			
Non–current assets			
Investment property	*12*	**712,091**	693,064
Property, plant and equipment	*13*	**6,499**	5,464
Financial assets	*14*	**64,784**	74,879
Interest rate swaps	*17*	**12,402**	14,590
Total non–current assets		**795,776**	787,997
Current assets			
Trade and other receivables	*15*	**4,772**	4,516
Cash and cash equivalents		**29,858**	27,169
Total current assets		**34,630**	31,685
Total assets		**830,406**	819,682
Liabilities			
Current liabilities			
Trade and other payables	*16*	**(32,284)**	(37,794)
Total current liabilities		**(32,284)**	(37,794)
Non–current liabilities			
Borrowings	*17*	**(152,000)**	(142,000)
Provisions	*18*	**-**	(315)
Retirement benefit obligations	*19*	**1,507**	1,596
Total non–current liabilities		**(150,493)**	(140,719)
Total liabilities		**(182,777)**	(178,513)
Net assets		**647,629**	641,169
Capital and reserves			
Capital Account		**630,024**	622,268
Capital hedging reserve	*17*	**12,402**	14,590
Revenue Account		**6,360**	5,123
Retirement benefit reserve		**(1,157)**	(812)
Total reserves		**647,629**	641,169

Sir James Leigh-Pemberton CVO
Nathan Thompson CVO

4 July 2024

The notes to the accounts on pages 39 to 70 are an integral part of these financial statements.

Statement of Changes in Capital and Reserves

	Note	Capital account		Revenue account		Total
		Capital reserve	Capital hedging reserve	Revenue reserve	Retirement benefit reserve	
		£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2022		**643,394**	**7,551**	**3,127**	**(1,316)**	**652,756**
Net (deficit)/ surplus for the year		(20,334)	–	28,210	–	**7,876**
Other comprehensive income:						
Net loss from fair value adjustment on other property	*13*	(87)	–	–	–	**(87)**
Net (loss) on the revaluation of financial assets	*14*	(705)	–	(256)	–	**(961)**
Gain on financial derivatives		–	7,039	–	–	**7,039**
Actuarial gain on retirement benefit obligations	*19*	–	–	–	504	**504**
Less amounts payable to the Privy Purse		–	–	(25,958)	–	**(25,958)**
Balance as at 31 March 2023		**622,268**	**14,590**	**5,123**	**(812)**	**641,169**
Net (deficit)/surplus for the year		16,902	–	28,577	–	**45,479**
Other comprehensive income:						
Net gain from fair value adjustment on other property	*13*	959	–	–	–	**959**
Net (loss)/gain on the revaluation of financial assets	*14*	(10,105)	–	10	–	**(10,095)**
Loss on financial derivatives		–	(2,188)	–	–	**(2,188)**
Actuarial loss on retirement benefit obligations	*19*	–	–	–	(345)	**(345)**
Less amounts payable to the Privy Purse		–	–	(27,350)	–	**(27,350)**
Balance as at 31 March 2024		**630,024**	**12,402**	**6,360**	**(1,157)**	**647,629**

Statement of Cash Flows

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Cash generated from operating activities	*21*	**23,495**	35,001
Interest paid		**(2,903)**	(2,928)
Net cash from operating activities		**20,592**	32,073
Cash flows from investing activities			
Purchase and improvement of investment property	*12*	**(13,161)**	(7,569)
Purchase of financial investments	*14*	**(40,836)**	(4,318)
Purchase of property, plant and equipment	*13*	**(31)**	(38)
Proceeds from disposal of investment properties		**1,289**	5,889
Proceeds from disposal of financial investments	*14*	**51,044**	4,591
Financial investment income		**3,350**	2,650
Net cash inflow/(outflow) from investing activities		**1,655**	1,205
Cash flows from financing activities			
Proceeds from additional borrowings		**10,000**	5,000
Proceeds from termination of interest rate swap		**-**	887
Payments made to the Privy Purse		**(29,558)**	(26,366)
Net cash outflow from financing activities		**(19,558)**	(20,479)
Increase in cash in the year		**2,689**	12,799
Cash and cash equivalents at start of year		**27,169**	14,370
Cash and cash equivalents at end of year		**29,858**	27,169

Notes to the accounts

Separate Statements of Comprehensive Income are presented for the Revenue account and the Capital account which represents a departure from the requirements of International Financial Reporting Standards ("IFRS"). IFRS require the presentation of a single Statement of Comprehensive Income. This departure is necessary due to the separate nature of the Duchy Revenue and Capital accounts, and because only the surplus on the Revenue account may be distributed to the Privy Purse and no distribution may be made of the proceeds from the disposal of capital assets or the gains or losses on their revaluation. The Statement of Changes in Capital and Reserves is also analysed between the Revenue and Capital accounts. These variations to IFRS are as specified in the Accounts Direction given by HM Treasury set out on pages 73-74.

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of property investments and in accordance with all applicable accounting standards. The accounts are in compliance with the Accounts Direction set out on pages 73-74 and, except as disclosed above, in accordance with International Financial Reporting Standards (IFRS) issued by the UK-adopted International Accounting Standards Board and as modified by HM Treasury.

Adoption of new and revised standards

During the financial year, the Duchy has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

Standard	Effective date, annual period beginning on or after
IFRS 17 - Insurance Contracts	1 January 2023
Amendments to IFRS 17 - Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Duchy and which have not been applied in these financial statements, were in issue but were not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Standard	Effective date, annual period beginning on or after
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Classification of Liabilities as Current or Non-Current, Non-current Liabilities with Covenants: amendments to IAS 1	1 January 2024

The Duchy is evaluating the impact that these standards will have on the financial statements of the Duchy.

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Duchy and which have not been applied in these financial statements, have not been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Notes to the accounts (continued)

Standard	Effective date, annual period beginning on or after
Lack of Exchangeability (Amendments to IA521)	1 January 2025
IFRS18 - Presentation and Disclosure on Financial Statements	1 January 2027
IFRS19 - Subsidiaries without Public Accountablility: Disclosures	1 January 2027

The Duchy is evaluating the impact that these standards will have on the financial statements of the Duchy.

(b) Significant judgements, key assumptions and estimates

Accounting estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Duchy makes estimates and assumptions concerning the future. The resulting accounting estimates could, by definition, differ from the actual outcome.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised as follows:

Revenue

Revenue is measured at the transaction price allocated to the performance obligations received or receivable and represents amounts receivable for the services provided or goods supplied, stated net of discounts and value added tax. Revenue is recognised when the customer obtains control of the goods or in the accounting period in which the services are rendered and this has the ability to direct the use and obtain the benefits from the good or service. Capital transactions do not form part of Revenue. Note 11 summarises the Capital/Revenue splits.

Retirement benefit obligations

The Duchy recognises and discloses its retirement benefit obligations in accordance with the measurement and presentational requirement of IAS 19, 'Retirement Benefit Obligations.' The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the increase in salaries, and life expectancy, amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. Further details of the assumptions are set out in note 19.

Bona Vacantia late claims fund

The Late Claims Fund is a provision for legitimate claims on Estates declared to be bona vacantia and whose assets have already been distributed. The provision is based on 2 years' worth of late claims, which is deemed appropriate by management given the anticipated level of late claims. The provision at the year end is equal to the other financial assets balance in note 14 as these funds are held in a bond. Further details on proceeds from Bona Vacantia are disclosed in note 9.

Financial instruments valuations

The Duchy discloses the fair value of its financial instruments in a hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels are as follows:

- Level 1 financial instruments are valued at unadjusted quoted prices in active markets for identical instruments, these require no judgement.
- Level 2 financial instruments are valued based significantly on observable market data. Inputs other than quoted prices are directly or indirectly observable for the asset or liability.
- Level 3 financial instruments use valuation techniques which incorporate at least one input (with a potentially significant impact on valuation) which is based on unobservable market data.

Classification within the hierarchy and the valuation techniques applied require judgement and further details are set out in note 20.

Notes to the accounts (continued)

Property valuations
Investment properties, owner occupied properties and investment properties held for sale are all held at fair value, in accordance with valuations carried out by external and internal valuers. Valuations are based on a number of key assumptions, including estimates of future rental income, the ready availability of a market for the properties, and published life tables.

(c) Operating leases
The Proper Officers have exercised judgement in determining that in all material respects, where the Duchy is the lessor, all such leases are accounted for as operating leases. In exercising this judgement consideration has been given to the nature and economic life of the buildings (which are all accounted for within investment properties), the split of lease rentals between the land and buildings elements, and whether substantially all the risks and rewards of ownership remain with the Duchy.

(d) Valuation of property
Investment property assets held for sale and owner occupied property are all held at fair value. The policy of the Duchy is to have the investment and operational property assets independently valued at least every five years. In the current year, the commercial properties and land held for development were mainly valued externally.

All the valuations are in accordance with the principles of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors as follows :
(i) Investment properties including land held for development and properties occupied by the Duchy are valued on the basis of Market Value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. Mineral bearing land is valued on the basis of Existing Use Value.
(ii) Mineral and foreshore assets are only valued where a letting exists, where entry has occurred, or where an interest is likely to be sold in the next year for a capital premium.
(iii) Castles and other historical properties which are not commercially let are valued at the lower of depreciated replacement cost and net realisable value, or, where there is no market in assets of that type and the property could not be physically reconstructed, a nil value is applied.

The aggregate surplus or deficit arising from revaluation is transferred to the Capital Account, which is not distributable.

The purchase or sale of property is recognised from the date on which an unconditional contract is entered into or the last substantive condition in a conditional contract is satisfied. The profit or loss on disposal of property is taken to the Capital Account Statement of Comprehensive Income. Investment properties held for sale are shown in the Balance Sheet as investment property within current assets.

(e) Owner occupied property
Properties occupied by the Duchy are valued on the basis of fair value. The properties are included within property, plant and equipment. Any surplus or deficit arising on revaluation is taken directly to the Capital Account Statement of Comprehensive Income.

No depreciation is provided in respect of these properties. The residual value of the property at the point where the Duchy would cease to use it, or would dispose of it, is expected to be materially in line with fair value. As such, any depreciation (between fair value and residual value) at any point would be immaterial.

(f) Financial assets
Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to fair value of financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the accounts (continued)

As mentioned in note 1b, debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI);

(i) The financial asset is held with a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

(ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Duchy has made an irrevocable election to designate all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9. See Note 1b and Note 14.

Quoted Investments are shown at fair value, determined at market value based on quoted prices. Unquoted investments are shown at latest independent valuation. Any profit or loss is taken to the Capital Account Statement of Comprehensive Income.

(g) Depreciation

(i) In accordance with IAS 40 no depreciation is provided on investment properties.

(ii) Revenue fixed assets are fully depreciated in the year of purchase.

(h) Woodlands

Sales of timber and expenditure relating to the upkeep of the woodlands are included in the Revenue Account. Where timber is planted as commercial crop, expenditure will be capitalised.

(i) Recognition of income

Income from property and interest income is accounted for on an accruals basis. Dividends and income from bona vacantia are accounted for when received.

(j) Strategic development income

Allocation of strategic land income to revenue is limited to 10% of Gross Development Value of the project and 25% of the total receipt of the project.

(k) Mineral royalties

The receipts from mineral royalties are apportioned on the basis of one half to Capital and one half to Revenue. Mineral royalties are accounted for on an accruals basis dependent on the timing of extraction.

(l) Pension liabilities and post retirement benefits

Defined benefit pension scheme current service costs relating to the year, together with the scheme interest cost less the expected return on the scheme assets for the year, are recorded in administrative expenses within the Revenue account. Actuarial gains and losses are recognised in the Revenue Account Statement of Comprehensive Income.

The scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset is presented within non-current liabilities in the balance sheet.

Contributions by the Duchy to personal pension arrangements of 10% of salaries up to age 50 and 13% of salaries thereafter are charged to the Revenue account as they fall due.

(m) Capitalisation of staff costs

Staff costs are recharged to the Capital account on a relevant time basis for dealing with appropriate capital works or transactions.

Internal costs relating to staff time spent working on Capital projects are also charged to Capital on completion of the project.

Notes to the accounts (continued)

(n) Bona vacantia

Proceeds of bona vacantia comprise the residue of assets and liabilities which have fallen to be dealt with by the Solicitor for the Affairs of the Duchy of Lancaster acting as a Corporation Sole under the Administration of Estates Act 1925, the Companies Act 2006, and other relevant legislation.

Net income from bona vacantia, after allocations for future liabilities and the costs of administering bona vacantia, is applied to the costs of Palatinate administration and historical obligations, which include Lancaster Castle, The King's Chapel of the Savoy and nine other castles and, at the direction of the Council, the balance is transferred to The Duchy of Lancaster Jubilee Trust, the Duchy of Lancaster Benevolent Fund or The Duke of Lancaster Housing Trust, and other separate registered charities from 1 April 2023. An interest charge, at reasonable commercial rates, is applied to the average bona vacantia funds held by the Duchy and is payable to The Duchy of Lancaster Jubilee Trust as a donation. All net income receivable at Lancaster Castle is paid to the bona vacantia account to meet expenditure on charitable funds and historical obligations.

The proceeds from bona vacantia are accounted for by The Duchy in the year in which they are received and represent the proceeds received from estates settled by the Solicitor for the Affairs of the Duchy of Lancaster in the year ended 30 September 2023. The accounts of the Solicitor for the Affairs of the Duchy of Lancaster for the year ended 30 September 2023 are set out on page 72 for information purposes.

(o) Heritage assets

There is no International Financial Reporting Standard equivalent to UK GAAP included in FRS102. However the Duchy continues to refer to those assets previously treated as Heritage Assets as such. Heritage assets are a collection of assets that the Duchy has held over the centuries. These assets are considered to be of historic and artistic importance and cover a range of items including paintings, furniture and works on paper. Certain Heritage Assets of the Duchy are held by museums, galleries or other institutions open to the public, where they are on loan and managed as part of their permanent collections.

The Duchy's Heritage Assets are managed by the Assistant Keeper of the Records who reports to the Keeper of the Records, being the Chief Executive of the Duchy. In addition, a register of the Duchy's Heritage Assets is maintained on a database and there are a number of paper records which relate to individual collections. All objects are subject to regular reviews to verify location and any change in conservation status. Where appropriate specialist conservation and curatorial advice is sought from relevant experts.

It is the intention that the Duchy's Heritage Assets will be held for the long term. In exceptional circumstances, Council may consider a disposal of objects and there are no current plans to add further to the collection.

The assets hold no material value except to the extent that they add to the cultural and historical wealth of the country and accordingly they are not shown as assets within these financial statements.

(p) Trade and other receivables

Trade and other receivables are stated at amortised cost less appropriate allowances for estimated irrecoverable amounts. Such allowances are based on an individual assessment of each receivable. The Duchy applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

(q) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Notes to the accounts (continued)

(r) Borrowings

Borrowings are initially recognised at fair value and subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are capitalised and amortised over the period of the facility to which it relates.

(s) Hedge accounting

Derivative financial and hedging activities: Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Duchy designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). The gains or losses arising on the revaluation of the derivative contracts are recognised in the Capital hedging reserve in the Capital Account.

At the inception of the hedge relationship, the Duchy documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Duchy documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 20 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 17.

(t) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income within the Capital account. The gain or loss relating to the ineffective portion is recognised immediately in the capital income statement, and is included in the ‘other gains and losses’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the capital income statement in the periods when the hedged item is recognised in the capital income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Duchy revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the capital income statement.

Notes to the accounts (continued)

2. Revenue

	2024 £'000	2023 £'000
Income from Property		
Commercial	**24,156**	23,709
Agricultural	**6,894**	6,704
Residential	**2,794**	2,677
Strategic development	**788**	2,821
Mineral rents and royalties	**580**	482
Total	**35,212**	36,393

3. Operating costs

	Repairs and other direct costs £'000	Repayments to Capital £'000	Total 2024 £'000	Total 2023 £'000
Expenditure on property				
Commercial	1,394	–	**1,394**	1,959
Agricultural	1,171	–	**1,171**	677
Residential	513	–	**513**	840
Mineral rents and royalties	29	75	**104**	95
	3,107	75	**3,182**	3,571
Staff costs, administration and professional fees	1,746	–	**1,746**	1,868
Total	4,853	75	**4,928**	5,439

4. Leasing: Operating leases with tenants

The Duchy of Lancaster leases out all of its investment properties under operating leases with, on an unweighted average, 24 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	2024 £'000	2023 £'000
Less than one year	**28,614**	22,566
Between one to two years	**25,205**	19,976
Between two to three years	**22,516**	16,115
Between three to four years	**18,288**	13,538
Between four to five years	**16,362**	9,422
After five years	**343,668**	198,199
	454,653	279,816

The value of the assets generating this rental income is detailed in note 12.

Notes to the accounts (continued)

5. Finance income

	2024 £'000	2023 £'000
Interest on fixed interest stocks and unit trusts	**683**	609
Income from equities	**2,267**	1,881
Bank and other interest	**1,535**	214
Investment management fees	**(36)**	(54)
	4,449	2,650

6. Finance costs

	2024 £'000	2023 £'000
Loan interest	**3,821**	2,928

Capitalised finance costs are included within purchases at cost in note 12 amount to £105,751 (2023: nil). The interest rate used to determine the borrowing costs eligible for capitalisation in the year was 4.00%.

7. Total comprehensive income for the year

	2024 £'000	2023 £'000
Total comprehensive income for the year is arrived at after charging:		
Staff costs (note 8(a))	**3,979**	3,561
Depreciation of Property, Plant and Equipment	**46**	23
Auditor's remuneration		
– audit services	**50**	43
– non–audit services	**–**	–

Staff costs of £594,200 (2023: £595,000) are charged to the capital account reflecting the time spent on capital matters.

8. Employee information

(a) The total cost of employees (excluding fees paid to the Chancellor and non-executive Council members) during the year was as follows:

	2024 £'000	2023 £'000
Wages and salaries	**3,206**	2,806
Social security costs	**345**	357
Pension contributions	**428**	398
	3,979	3,561

(b) The average number of employees (excluding the Chancellor and non-executive Council members) during the year was 35 (2023: 38).

Notes to the accounts (continued)

8. Employee information (continued)

(c) The full details of the Chancellor and each Council member's remuneration package for the financial year are set out below. These individuals are the key management personnel.

	Basic salary and fees £'000	Taxable benefits and allowances £'000	**Total 2024 £'000**	Total 2023 £'000
Rt Hon Oliver Dowden MP (appointed 27 Oct 2023)	–	–	–	–
Rt Hon Nadhim Zahawi MP (appointed 13 Sept 2022, retired 27 Oct 2022)	–	–	–	–
Rt Hon Kit Malthouse MP (appointed 8 July 2022, retired 13 Sept 2022)	–	–	–	–
Rt Hon Stephen Barclay MP (appointed 20 Sept 2021, retired 8 July 2022)	–	–	–	–
Sir Alan Reid GCVO (retired on 4 July 2023)	18	–	**18**	70
Sir James Leigh-Pemberton CVO (appointed 4 July 2023)	52	–	**52**	–
Sir Michael Stevens KCVO	–	–	**–**	–
Mr Nathan Thompson CVO	285	2	**287**	277
Mr Hugh Bullock	18	–	**18**	18
The Marquess of Downshire	18	–	**18**	18
Ms Sonia Tolaney KC	15	–	**15**	15
Mrs Jill May	18	–	**18**	18
Ms Lucy Macdonald	18	–	**18**	18
Mr Alastair Martin CVO (appointed 3 Jan 2023)	18	–	**18**	5
Mr Alistair Elliott (appointed 1 Feb 2023)	18	–	**18**	9
Mr Marcus Rose (retired 30 Dec 2022)	–	–	**–**	11

Banded performance payments relating to the relevant financial year have been paid as follows:

	2024	2023
Between £115,001 and £120,000	**1**	–
Between £105,001 and £110,000	**–**	1

In addition pension contributions paid by the Duchy for the financial year are set out below:

	2024 £'000	2023 £'000
Mr Nathan Thompson CVO	**37**	35

9. Net proceeds from bona vacantia

	2024 £'000	2023 £'000
Proceeds from bona vacantia	**6,494**	9,121
Provisions for late claims transferred to Late Claims Fund	**(1,663)**	(1,213)
	4,831	7,908
Costs of palatinate administration and historical obligations (note 10)	**(4,753)**	(4,070)
	78	3,838

Notes to the accounts (continued)

9. Net proceeds from bona vacantia (contunued)

Charitable donations were made as detailed below with the balance of bona vacantia funds held within the Duchy of Lancaster and payable to the Duchy of Lancaster charitable funds or to meet historical obligations.

A donation of £533,000 (2023: nil) was made to The Duchy of Lancaster Jubilee Trust. An additional £214,000 was pledged and remained payable at the end of the financial year.

A donation of £240,000 (2023: £350,000) was made to The Duke of Lancaster Housing Trust.

Donations of £1,000,000 (2023: £520,000) were made to the Duchy of Lancaster Benevolent Fund. The Receiver General and the Attorney General of the Duchy of Lancaster together with the Vice Chancellor of the County Palatine act as trustees of the Duchy of Lancaster Benevolent Fund.

One donation of £150,000 was made to the FairShare food bank as part of the King Charles III Charitable Foundation Coronation Food Project.

A further donation of £720,000 (2023: nil) has been pledged unconditionally to the King Charles III Charitable Foundation Coronation Food Project and will be paid over the next four financial years.

A donation of £50,000 was made to Sustainable Food Trust.

10. Palatinate administration and historical obligations

	2024 £'000	2023 £'000
Administration of bona vacantia – costs met directly by the Duchy	**178**	100
Upkeep of castles and historic monuments	**4,012**	3,464
(Surplus)/deficit on Savoy Chapel - stipends, running costs and repairs	**(22)**	12
Ceremonial, ancient stipends, charitable annuities and preservation of historic records	**529**	424
Administration of Duchy of Lancaster charitable funds	**56**	70
	4,753	4,070

Notes to the accounts (continued)

11. Analysis of Balance Sheet

	Revenue		Capital	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Assets				
Non–current assets				
Investment property	**–**	–	**712,091**	693,064
Property, plant and equipment	**–**	15	**6,499**	5,449
Financial assets	**1,538**	1,528	**63,246**	73,351
Interest rate swaps	**–**	–	**12,402**	14,590
Total non–current assets	**1,538**	1,543	**794,238**	786,454
Current assets				
Trade and other receivables	**4,772**	4,516	**–**	–
Cash and cash equivalents	**17,672**	20,584	**12,186**	6,585
Balances due from Capital	**11,640**	13,433	**–**	–
Total current assets	**34,084**	38,533	**12,186**	6,585
Total assets	**35,622**	40,076	**806,424**	793,039
Liabilities				
Current liabilities				
Trade and other payables	**(31,926)**	(37,046)	**(358)**	(748)
Balances due to Revenue	**–**	–	**(11,640)**	(13,433)
Total current liabilities	**(31,926)**	(37,046)	**(11,998)**	(14,181)
Non–current liabilities				
Borrowings	**–**	–	**(152,000)**	(142,000)
Provisions	**–**	(315)	**–**	–
Retirement benefit obligations	**1,507**	1,596	**–**	–
Total non–current liabilities	**1,507**	1,281	**(152,000)**	(142,000)
Total liabilities	**(30,419)**	(35,765)	**(163,998)**	(156,181)
Net assets	**5,203**	4,311	**642,426**	636,858
Capital and reserves				
Revenue Account	**6,360**	5,123	**–**	–
Capital hedging reserve	**–**	–	**12,402**	14,590
Capital Account	**–**	–	**630,024**	622,268
Retirement benefit reserve	**(1,157)**	(812)	**–**	–
Total reserves	**5,203**	4,311	**642,426**	636,858

Notes to the accounts (continued)

12. Investment Property

	Commercial and indirect property investment £'000	Agricultural woods minerals foreshores £'000	Residential £'000	Land held for development £'000	Total £'000
Value at 31 March 2022	418,979	199,462	66,307	27,912	712,660
Purchases at cost	4,922	908	1,509	230	7,569
Transfers to owner occupied property	–	–	–	–	–
Disposals	–	(87)	–	(5,145)	(5,232)
Change in fair value	(32,044)	11,660	(167)	(1,382)	(21,933)
Value at 31 March 2023	**391,857**	**211,943**	**67,649**	**21,615**	**693,064**

	Commercial and indirect property investment £'000	Agricultural woods minerals foreshores £'000	Residential £'000	Land held for development £'000	Total £'000
Value at 31 March 2023	391,857	211,943	67,649	21,615	693,064
Purchases at cost	8,925	2,426	1,788	22	13,161
Transfers to owner occupied property	(91)	–	–	–	(91)
Disposals	–	–	(26)	(800)	(826)
Change in fair value	(2,770)	5,186	1,704	2,663	6,783
Value at 31 March 2024	**397,921**	**219,555**	**71,115**	**23,500**	**712,091**

The changes in fair values are recognised in the Capital Account Statement of Comprehensive Income.

All landed property is situated in England and Wales. Purchases at cost include expenses of purchases and expenditure on permanent improvements of £13,161,000 (2023: £7,569,000). Sales proceeds are net of expenses of sale and development costs charged from Revenue.

At 31 March 2024 virtually all of the commercial property portfolio was valued externally by professionally qualified valuers. The rural property portfolio was valued externally by professionally qualified valuers. The breakdown of the external valuations at 31 March 2024 by valuer is as follows:

Knight Frank	54%
Savills	46%

Notes to the accounts (continued)

12. Investment Property (continued)

Relationship of significant unobservable inputs to fair value and the impact of significant changes to those inputs

Unobservable input	Impact on fair value of changes to input	
	Increase in input	Decrease in input
Adjusted comparable vacant possession values	Increase in fair value	Decrease in fair value
Rental values	Increase in fair value	Decrease in fair value
Capitalisation rates	Decrease in fair value	Increase in fair value
Discount Rates	Decrease in fair value	Increase in fair value

Impact on fair value of changes to capitalisation and discount rates

	Increase of 50 basis points £'000	As disclosed £'000	Decrease of 50 basis points £'000
Agricultural	158,006	170,583	192,504
Other rural assets	67,097	68,234	69,461
Urban commercial	348,184	377,934	422,783
Rural commercial	19,612	20,463	21,412
Residential property	73,412	74,877	79,512

Impact on fair value of changes to market rental values

	Increase of 10% £'000	As disclosed £'000	Decrease of 10% £'000
Urban commercial	413,901	377,934	352,058

Notes to the accounts (continued)

12. Investment Property (continued)
Quantitative data about fair value measurement using unobservable inputs (Level 3)

	Property type	Fair value at 31 March 2024 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)
Agricultural & forestry	Agricultural	170,583	Yield methodology	Rental values Capitalisation rate	– Farms: 1.02% to 2.11%
					Bare land:1.20% to 1.90%
			Adjusted sales comparison approach	Farmland vacant possession values	£1,520/ac to £12,303/ac average £8,220/ac
				Discount rate for terminal value	4.50% to 5.50%
				Estimate of period until vacant possession achieved	0 to 81 years (average 1.88 years)
	Forestry	12,145	Adjusted sales comparison approach	Forestry vacant possession values	£3,507/ac to £6,161/ac (average £4,222/ac)
	Sporting	3,468	Yield methodology	Rental values Capitalisation rate	4.60% to 10.0% (average 6.80%)
	Foreshore	23,975	Yield methodology	Rental values Capitalisation rate	6.04% to 10.04% (average 9.76%)
	Mineral	2,717	Yield methodology	Rental values Royalty income	8% - 12% 10% - 11%
	Development land	23,629	Discounted cash flow	Discount rate	8% to 10% (average 8%)
				Risk factor	10% to 75% (average 50%)
				Time to completion	1 to 25+ years (average 10 years)
	Other rural assets	2,300	Yield methodology	Rental values Capitalisation rate	– 3.33% to 3.33% (average 5.17 %)
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	£216 /ac to £3,925/ac
	Total	**238,817**			
Commercial	Urban commercial	377,934	Yield methodology	Rental values	Industrial : £4.75 to £31.00 psf Office : £12.50 to £90.00 psf Retail: £13.56 to £200.00 psf
				Capitalisation rate	Industrial : 4.75% to 8.50% Office : 3.35% to 11.50 % Retail: 4.75% to 6.75% Other: 3.20% to 10.00%
	Rural commercial	20,463	Yield methodology	Rental values	–
				Capitalisation rate	4.51% to 11.29% (average 14.03%)
	Total	**398,397**			

Notes to the accounts (continued)

12. Investment Property (continued)
Quantitative data about fair value measurement using unobservable inputs (Level 3) (continued)

	Property type	Fair value at 31 March 2024 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)
Residential	Rural residential	68,516	Adjusted sales comparison approach	Adjusted comparable vacant possession values	–
				Discount rate for terminal value	5.00% to 5.50%
				Estimate of period until vacant possession achieved	0 to 45 years (average 0.76 years)
	Urban Residential	6,361	Adjusted sales comparison approach	Adjusted comparable vacant possession values	–
				Discount rate for terminal value	–
				Estimate of period until vacant possession achieved	0 to 123 years (average 0.375 years)
	Total	**74,877**			

Notes to the accounts (continued)

13. Property, plant and equipment

	Owner Occupied Property £'000	Motor Vehicles £'000	Plant & Equipment £'000	Total £'000
Cost or valuation				
Balance at 1 April 2022	5,536	17	404	5,957
Additions during the year	–	–	38	38
Change in fair value	(87)	–	–	(87)
Transfers from Investment property	–	–	–	–
Balance at 31 March 2023	**5,449**	**17**	**442**	**5,908**
Accumulated depreciation				
Balance at 1 April 2022	–	17	404	421
Charged during the year	–	–	23	23
Balance at 31 March 2023	**–**	**17**	**427**	**444**
Net Book Value				
31 March 2023	**5,449**	**–**	**15**	**5,464**

	Owner Occupied Property £'000	Motor Vehicles £'000	Plant & Equipment £'000	Total £'000
Cost or valuation				
Balance at 1 April 2023	5,449	17	442	5,908
Additions during the year	–	–	31	31
Change in fair value	959	–	–	959
Transfers from Investment property	91	–	–	91
Balance at 31 March 2024	**6,499**	**17**	**473**	**6,989**
Accumulated depreciation				
Balance at 1 April 2023	–	17	427	444
Charged during the year	–	–	46	46
Balance at 31 March 2024	**–**	**17**	**473**	**490**
Net Book Value				
31 March 2024	**6,499**	**–**	**–**	**6,499**

Notes to the accounts (continued)

14. Financial assets

	Capital Financial Assets				Other financial assets	Total
	Fixed interest £'000	Equities £'000	Private equity £'000	Total Capital Financial Assets £'000	Fixed income unit trust £'000	£'000
Value at 31 March 2022	**13,373**	**59,410**	**1,174**	**73,957**	**1,784**	**75,741**
Purchases	1,115	3,203	–	4,318	–	4,318
Sale proceeds	(831)	(3,760)	–	(4,591)	–	(4,591)
(Loss)/gain on sale	(204)	576	–	372	–	372
Change in fair value	(2,174)	1,632	(163)	(705)	(256)	(961)
Value at 31 March 2023	**11,279**	**61,061**	**1,011**	**73,351**	**1,528**	**74,879**
Purchases	1,011	39,825	–	40,836	–	40,836
Sale proceeds	(2,804)	(48,240)	–	(51,044)	–	(51,044)
Gain on sale	–	10,208	–	10,208	–	10,208
Change in fair value	(1,335)	(8,005)	(765)	(10,105)	10	(10,095)
Value at 31 March 2024	**8,151**	**54,849**	**246**	**63,246**	**1,538**	**64,784**

Debt instruments classified as FVTOCI (Fair Value Through the Statement of Other Comprehensive Income)
Fair value is determined in the manner described in Note 20. The corporate bonds are initially measured at fair value plus transactions costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognised in profit or loss. The amounts recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in carrying amount of these corporate bonds are recognised in other comprehensive income. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.The maximum exposure to credit risk at the reporting date is the carrying value of the fixed interest capital assets classified in the above table.

Equity instruments designated as FVTOCI
Investments in equity instruments designated as FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised on other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead it is transferred to retained earnings. Dividends on these investments in equity are recognised in profit or loss in accordance with IFRS 9. Dividends are included in the 'financial income' line in note 5.

The changes in market values are recognised in the Capital Account Statement of Comprehensive Income apart from the change in market value of the Fixed interest unit trust which is recognised in note 18.

All financial assets except the private equity funds are listed on recognised stock exchanges, are authorised unit trusts, or are authorised open ended investment companies. Other financial assets are investments held to cover late claims liabilities in note 18.

Investment management fees of £331,665 were charged in the year (2023: £352,000). These fees are charged to the capital of the investment funds.

In the year to 31 March 2024, £10,000,000 was transferred from the financial assets portfolio to a fixed-term cash deposit.

Notes to the accounts (continued)

15. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables (rents)	**1,744**	1,275
Other receivables	**213**	225
Prepayments and accrued income	**2,815**	3,016
	4,772	4,516

As of 31 March 2024 trade receivables of £1,519,000 (2023: £1,275,000) were due but not impaired.

The ageing analysis of these trade receivables is as follows:

	2024 £'000	2023 £'000
Under 3 months	**1,519**	1,254
3 to 12 months	**–**	21
Over 12 months	**–**	–

The ageing of impaired receivables is as follows:

	2024 £'000	2023 £'000
Under 3 months	**–**	–
3 to 12 months	**160**	176
Over 12 months	**8**	195

There is no significant concentration of credit risk with respect to trade receivables as the Duchy has a large number of tenants.

Movements in the provision for impairment of trade receivables are as follows:

	2024 £'000	2023 £'000
At 1 April	**371**	591
Decrease in the provision for receivables impairment	**(20)**	(220)
Receivables written back	**(183)**	–
At 31 March	**168**	**371**

The recognition and release of the provision for impaired receivables has been included in the Revenue Account Statement of Comprehensive Income.

The other classes within trade and other receivables do not contain impaired assets.

The Duchy measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Duchy writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed into liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off are subject to enforcement activities.

Notes to the accounts (continued)

16. Trade and other payables

	2024 £'000	2023 £'000
Amounts falling due within one year:		
Trade payables	**2,667**	2,728
Other taxes and social security	**940**	763
Other payables	**2,892**	4,732
Late claims provision	**1,663**	1,213
Accruals and deferred income	**8,632**	7,396
Due to the Privy Purse	**2,150**	4,327
Due to Duchy of Lancaster charitable funds and historical obligations	**13,340**	16,635
	32,284	37,794

17. Borrowings

	Less than 1 year £'000	**1 to 5 years £'000**	**Over 5 years £'000**	**2023 Total £'000**
Borrowings	–	42,000	100,000	**142,000**
Interest rate swaps	–	(4,231)	(10,359)	**(14,590)**

	Less than 1 year £'000	**1 to 5 years £'000**	**Over 5 years £'000**	**2024 Total £'000**
Borrowings	–	74,500	77,500	**152,000**
Interest rate swaps	–	(8,215)	(4,187)	**(12,402)**

The total borrowings of £152.0m consists of 8 loans with the following terms;

- Loan of £5.0m repayable October 2025, interest in the year is at a floating rate, £2.5m of the loan has been swapped to a fixed rate of 3% and £2.5m of the loan has been swapped to a fixed rate of 1.93%.
- Loan of £37.0m repayable September 2026, interest in the year is at a floating rate, £18.5m of the loan has been swapped to a fixed rate of 1.96% and £18.5m of the loan has been swapped to a fixed rate of 1.97%.
- Loan of £32.5m repayable November 2028, interest in the year is at a floating rate, all of the loan has been swapped to a fixed rate of 1.49%.
- Loan of £15.0m repayable June 2029, interest in the year is at a floating rate, all of the loan has been swapped to a fixed rate of 2.328%.
- Loan of £15.0m repayable August 2029, interest in the year is at a floating rate, all of the loan has been swapped to a fixed rate of 1.94%.
- Loan of £27.5m repayable January 2050, interest in the year is at a fixed rate of 2.20%.
- Loan of £10.0m repayable June 2052, interest in the year is at a fixed rate of 3.00%.
- Loan of £10.0m repayable April 2053, interest in the year is at a fixed rate of 3.10%.

Interest rate swaps

Under interest rate swap contracts, the Duchy agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Duchy to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Notes to the accounts (continued)

17. Borrowings (continued)

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Duchy performed a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Duchy's own credit risks on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged items attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedged relationships.

In April 2023, a final £10m of debt was drawn down from the Private Placement facility. This loan is repayable in April 2053, and interest charged a fixed rate of 3.10%.

The following table details various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Cash flow hedges

	Average contracted fixed interest rate		Notional principal value		Carrying amount of the hedging instruments		Change in fair value used for calculating hedge ineffectiveness	
	2024 %	2023 %	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Less than 1 year	–	–	–	–	–	–	–	–
1 to 2 years	–	–	–	–	–	–	–	–
2 to 5 years	1.79	2.02	74,500	42,000	8,215	4,231	3,984	2,131
5 years +	2.38	1.98	77,500	100,000	4,187	10,359	(6,172)	4,908

The interest rate swaps settle on a quarterly basis. The floating rate on the interest swaps is SONIA, the Sterling Overnight Index Average. The Duchy will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Duchy's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Notes to the accounts (continued)

18. Provisions for liabilities and charges

The Late Claims Fund was established to provide a form of insurance against legitimate claims on estates declared to be bona vacantia and whose assets have already been distributed. Income earned on the assets of the fund is retained to meet claims. Any surplus on the fund is payable to the Duchy of Lancaster charitable funds. The fund is separately invested in a unit trust (note 14). The movements of the fund are as follows

	2024	2023
	£'000	£'000
Provisions for late claims received from the bona vacantia account	**1,663**	1,213
Increase/(decrease) in value of investments	**10**	(256)
Claims paid during the year	**(1,663)**	(1,213)
Surplus/(deficit) for the year	**10**	(256)
Late Claims Fund balance at 1 April	**1,528**	1,784
Late Claims Fund balance at 31 March	**1,538**	1,528

	2024	2023
	£'000	£'000
Shown as:		
Included in Trade and other payables	**1,538**	1,213
Included in Non-current liabilities – provisions	**–**	315

Notes to the accounts (continued)

19. Retirement benefit obligations

The major assumptions used by the actuary were (in nominal terms) as follows:

	31 March 2024 % pa	31 March 2023 % pa
Discount rate	**4.8**	4.8
Inflation assumption (RPI)	**3.5**	3.2
Inflation assumption (CPI)	**2.8**	2.6
Rate of increase in pensions in payment	**2.8**	2.6
Rate of increase in pensionable salaries	**5.0**	4.7

Assumed life expectancies on retirement at age 60 are:

	31 March 2024	31 March 2023
Retiring today – males	**25.9**	26.5
Retiring today – females	**28.4**	28.9
Retiring in 20 years times – male	**27.1**	27.7
Retiring in 20 years times – female	**29.6**	30.1

The assets in the Scheme were:

	Value at 31 March 2024 £'000	Value at 31 March 2023 £'000
Gilts	**3,076**	3,137
Equities	**1,612**	1,691
Cash	**1,485**	1,796
Corporate Bonds	**921**	866
LDI	**1,159**	1,097
Fair value of Scheme assets	**8,253**	8,587

The actual return on assets over the period was:

	31 March 2024 £'000	31 March 2023 £'000
Actual return on assets over the period	**38**	(1,138)

	2024 £'000	2023 £'000
Present value of funded obligations	**(6,747)**	(6,994)
Fair value of Scheme assets	**8,254**	8,590
Surplus in funded scheme	**1,507**	1,596
Present value of unfunded obligations	**–**	–
Unrecognised actuarial gains/(losses)	**–**	–
Adjustment in respect of asset ceiling and minimum funding requirement	**–**	–
Net surplus in balance sheet	**1,507**	1,596

Notes to the accounts (continued)

19. Retirement benefit obligations (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2024 £'000	2023 £'000
Benefit obligation at beginning of year	**6,991**	9,164
Current service cost	**16**	28
Interest cost	**323**	233
Contributions by Scheme participants	**1**	1
Net remeasurement loss/(gain) – financial	**111**	(2,376)
Net remeasurement (gain) – demographic	**(163)**	(83)
Net remeasurement gain – experience	**33**	562
Benefits paid	**(564)**	(535)
Past service cost	**–**	–
Benefit obligation at end of year	**6,748**	6,994

Reconciliation of opening and closing balances of the fair value of Scheme assets

	2024 £'000	2023 £'000
Fair value of Scheme assets at beginning of year	**8,587**	10,056
Interest income on Scheme assets	**403**	257
Return on assets, excluding interest income	**(365)**	(1,393)
Contributions by employer	**329**	367
Contributions by Scheme participants	**1**	1
Benefits paid	**(564)**	(535)
Scheme administrative costs	**(138)**	(163)
Fair value of Scheme assets at end of year	**8,253**	8,590

Reconciliation of the effect of the asset ceiling

	2024 £'000	2023 £'000
Effect of the asset ceiling at beginning of year	**–**	–
Interest income on the asset ceiling	**–**	–
Changes in the effect of the asset ceiling excluding interest income	**–**	–
Effect of the asset ceiling at end of year	**–**	–

The amounts recognised in profit and loss:

	2024 £'000	2023 £'000
Service cost – including current and past service costs and settlements	**16**	27
Service cost – administrative cost	**138**	163
Net interest on the net defined benefit liability	**(80)**	(26)
Total expense	**74**	164

Notes to the accounts (continued)

19. Retirement benefit obligations (continued)

Remeasurements of the net defined benefit asset to be shown in other comprehensive income (OCI):

	2024 £'000	2023 £'000
Net remeasurement loss/(gain) - financial	**111**	(2,376)
Net remeasurement (gain)/loss - demographic	**(163)**	(83)
Net remeasurement loss - experience	**33**	562
Return on assets, excluding interest income	**364**	1,393
Changes in the effect of the asset ceiling excluding interest income	**–**	–
Total remeasurement of net defined benefit to be shown in OCI	**345**	(504)

Sensitivity analysis

	Impact on Scheme liabilities	
	2024	2023
Discount rate – decrease by 1.0% pa	**+10%**	+10%
Rate of inflation rate (CPI) – increase by 0.2% pa	**+2%**	+2%
Mortality (increase life expectancy by 1 year)	**+6%**	+6%

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate.

Characteristics and risks associated with the Scheme

(a) Information about the characteristics of the Scheme

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary and their length of service.

The Scheme is a registered scheme under UK legislation and is subject to the scheme funding requirements.

The Scheme was established from 1 April 1995 under trust and is governed by the Scheme's trust deed and rules dated 31 March 1995.

The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Duchy.

(b) Information about the risks of the Scheme to the Duchy

The Scheme exposes the Duchy to actuarial risks such as: market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Scheme does not expose the Duchy to any unusual Scheme-specific or Duchy-specific risks.

(c) Information about the valuation of the defined benefit obligation at the accounting date

The most recent formal actuarial valuation of the Scheme was at 31 March 2021.

The liability model used for our calculations is the same as that used for the 2021 valuation, using the proposed IAS 19 assumptions and membership data updated to 31 March 2024.

Notes to the accounts (continued)

19. Retirement benefit obligations (continued)

(d) Information about the most recent actuarial valuation and expected future cashflows to and from the Scheme

The valuation as at 31 March 2021 revealed a funding deficit of £1m. In the Recovery Plan dated 25 November 2021 the Duchy has agreed to pay contributions with a view to eliminating the shortfall by 31 March 2025.

The Duchy also pays contributions of £33,000pa to meet the cost of future accrual of benefits for active members of the Scheme and insurance premiums for death in service lump sums, in line with the schedule of contributions dated 21 March 2022.

In accordance with the Schedule of Contributions dated 21 March 2022 the Duchy is expected to pay contributions of around £158,000 over the next accounting period. The contributions paid by the Duchy are reviewed every 3 years as part of each formal actuarial valuation. The Scheme's next actuarial valuation will be based on data as at 31 March 2024. Work continues on this exercise.

In addition, the Duchy is expected to meet the cost of administrative expenses for the Scheme.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members over approximately the next 60 years. The average duration of the liabilities is approximately 9 years.

(e) The Scheme's investment strategy

The Scheme's investment strategy is to invest broadly 20% in return seeking assets (UK equities) and 80% in matching assets (LDI, index-linked gilts and investment grade credit). This strategy is targeting an approximate hedge of 100% against changes in the liabilities on the Technical Provisions basis due to changes in interest rates and inflation expectations.

The Scheme has no interest in any assets of the Duchy.

Notes to the accounts (continued)

20. Fair value measurements

The following table sets out the Duchy's assets and liabilities that are measured and recognised at fair value at 31 March 2023.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Debt instruments at fair value through other comprehensive income (FVTOCI)	11,279	–	–	11,279
Investments in equity instruments designated at FVTOCI	61,061	1,011	–	62,072
Total recurring financial assets	**72,340**	1,011	–	73,351
Financial liabilities				
Interest rate swaps	–	14,590	–	14,590
Total recurring financial liabilities	–	14,590	–	14,590
Non–financial assets:				
Investment properties	–	–	693,064	693,064
Owner occupied properties	–	–	5,449	5,449
Total recurring non–financial assets	–	–	698,513	698,513

Notes to the accounts (continued)

20. Fair value measurements (continued)

The following table sets out the Duchy's assets and liabilities that are measured and recognised at fair value at 31 March 2024.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Debt instruments at fair value through other comprehensive income (FVTOCI)	8,151	–	–	8,151
Investments in equity instruments designated at FVTOCI	54,850	245	–	55,095
Total recurring financial assets	63,001	245	–	63,246
Financial debtors				
Interest rate swaps	–	12,402	–	12,402
Total recurring financial liabilities	–	12,402	–	12,402
Non–financial assets:				
Investment properties	–	–	712,091	712,091
Owner occupied properties	–	–	6,499	6,499
Total recurring non–financial assets	–	–	718,590	718,590

The Duchy has measured land at fair value on a non-recurring basis as a result of the reclassification of the land as held for sale.

There have been no transfers between levels 1 and level 2 recurring fair value measurements during the year.

The Duchy's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

The following table sets out the total gains or losses for the period included in profit or loss that is attributable to the changes in unrealised gains or loss relating to those assets and liabilities held at the end of the reporting period that is included in gains/(losses) recognised in other income.

	Unlisted equity securities £'000	Investment property £'000	Owner occupied property £'000	Total £'000
Unrealised (losses)/gains recognised in profit or loss attributable to assets held at the end of the reporting period	–	(6,783)	959	7,742

Notes to the accounts (continued)

20. Fair value measurements (continued)

The following table sets out the valuation techniques used in the determination of fair values within Level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value

Item and valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
Investment property Fair value has been determined by a range of recognised valuation methodologies depending on the nature of the individual properties. As shown in note 12 most of the properties have been valued by external professionally qualified valuers. The methodologies applied by the valuers include the following:		
Investment Method: An assessment is made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions these are then applied to the property, taking into account size, location, terms, covenant and other material factors.	Market rents are assessed on a tenant by tenant basis taking into account significant variation between location, sector, size and quality.	The higher the discount rate, terminal yield and expected vacancy rate the lower the fair value.
Residual Method: The Market Value of the site in its existing condition is arrived at using the residual method which is a generally accepted method for valuing properties that are considered to have possible development potential. Having formed an opinion of the value of the completed development (Gross Development Value), using the Investment Method described above, it is deducted from the total costs of development and an allowance for developer's profit.	The estimated market value of a completed project, development costs and expected appreciation in the price.	The lower the development costs the greater the anticipated market value.

Fair values of trade receivables and payables, short term investments, unsecured bank overdrafts and cash and cash equivalents are assumed to approximate to cost due to the short term maturity of the instruments and as the impact of discounting is not significant.

Notes to the accounts (continued)

20. Fair value measurements (continued)

The following table sets out the valuation technique used in determination of fair values within levels 2 and 3 including the key inputs used.

Item	Valuation approach and inputs used	
Financial Assets	The fair values of financial assets and financial liabilities have been determined with reference to available market information at the balance sheet date.	Level 2
Interest rate swaps	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Level 2

21. Cash flow notes

Reconciliation of revenue account surplus to net cash inflow from operating activities

	2024 £'000	2023 £'000
Net surplus on Revenue account	**28,577**	28,210
Net surplus/(deficit) on Capital account	**16,902**	(20,334)
Adjusted for:		
Depreciation	**46**	23
Current service costs less contributions to pension scheme	**(175)**	(177)
Net finance (income)/cost	**(628)**	278
Increase/(decrease) in valuation of other financial investments	**(10)**	256
Net (loss)/gain from fair value adjustment on investment property	**(6,783)**	21,934
Gain on disposal of investment property	**(463)**	(658)
Net gain on the disposal of financial assets	**(10,208)**	(372)
Increase in receivables	**(256)**	(1,550)
(Decrease)/increase in payables	**(3,507)**	7,391
Net cash inflow from operating activities	**23,495**	35,001

Notes to the accounts (continued)

21. Cash flow notes (continued)

Reconciliation of liabilities arising from finance activities

A reconciliation from the most directly comparable IFRS measure to net debt is given below:

	1 April 2022 £'000	Cash flow £'000	Acquisitions and disposals £'000	Fair value gains and losses £'000	Interest charge £'000	31 March 2023 £'000
Cash and bank balances	14,370	12,799	–	–	–	27,169
Interest rate swaps	7,551	–	–	7,039	–	14,590
Borrowings	(137,000)	(5,000)	–	–	–	(142,000)
	(115,079)	**7,799**	**–**	**7,039**	**–**	**(100,241)**

	Non–current assets £'000	Current assets £'000	Current liabilities £'000	Non–current liabilities £'000	Total £'000
Cash and bank balances	–	27,169	–	–	27,169
Interest rate swaps	14,590	–	–	–	14,590
Borrowings	–	–	–	(142,000)	(142,000)
Balance at 31 March 2023	**14,590**	**27,169**	**–**	**(142,000)**	**(100,241)**

	1 April 2023 £'000	Cash flow £'000	Acquisitions and disposals £'000	Fair value gains and losses £'000	Interest charge £'000	31 March 2024 £'000
Cash and bank balances	27,169	2,689	–	–	–	29,858
Interest rate swaps	14,590	–	–	(2,188)	–	12,402
Borrowings	(142,000)	–	–	(10,000)	–	(152,000)
	(100,241)	**2,689**	**–**	**(12,188)**	**–**	**(109,740)**

	Non–current assets £'000	Current assets £'000	Current liabilities £'000	Non–current liabilities £'000	Total £'000
Cash and bank balances	–	29,858	–	–	29,858
Interest rate swaps	12,402	–	–	–	12,402
Borrowings	–	–	–	(152,000)	(152,000)
Balance at 31 March 2024	**12,402**	**29,858**	**–**	**(152,000)**	**(109,740)**

Notes to the accounts (continued)

22. Related party transactions

A donation of £533,000 (2023: nil) was made to The Duchy of Lancaster Jubilee Trust. An additional £214,000 was pledged and remained payable at the end of the financial year.

A donation of £240,000 (2023: £350,000) was made to The Duke of Lancaster Housing Trust.

Donations of £1,000,000 (2023: £520,000) were made to the Duchy of Lancaster Benevolent Fund. The Receiver General and the Attorney General of the Duchy of Lancaster together with the Vice Chancellor of the County Palatine act as trustees of the Duchy of Lancaster Benevolent Fund.

A donation of £150,000 (2023: nil) was made to the FairShare food bank as part of the King Charles III Charitable Foundation Coronation Food Project.

A further donation of £720,000 (2023: nil) has been pledged unconditionally to the King Charles III Charitable Foundation Coronation Food Project and will be paid over the next four financial years.

23. Financial risk management

A review of the Duchy's financial risks is set out in the Strategic Report on pages 23 to 25.

Market Risk – cash flow and fair value interest rate risk

The Duchy's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Duchy to cash flow interest rate risk. Borrowings issued at fixed rates expose the Duchy to fair value interest rate risk.

The Duchy performs sensitivity analyses on its covenants looking at all assets and also just liquid assets. This provides reassurance of the levels of market or tenant deterioration that would result in a potential covenant breach.

The Duchy analyses its interest rate exposure on a periodic basis. In particular when entering into a new swap agreement various scenarios are considered to understand the effect that a change in the base rates would have on both interest rate risk and fair value interest rate risk. As at 31 March 2024, the Duchy has swapped or fixed 100% of its loans as detailed in note 17.

The Duchy manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps and fixed interest loans. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Duchy has set policies as to the proportion of its borrowings against which interest rate swaps must be taken out in order to mitigate its interest rate risk.

Liquidity risk

Notes 16-18 provide details of our financial liabilities. Liquidity risk is minimised by holding nearly £65m in liquid assets, specifically equities and bonds, within the financial portfolio. The Duchy continually monitors its liquidity position through cashflow forecasts. It is not possible to state the maturity profile of the Duchy's Late Claims Fund provision (see note 18) and its retirement benefit obligations (see note 19) due to the uncertain timing of their potential crystallisation.

Notes to the accounts (continued)

23. Financial risk management (continued)

The table below summarises the maturity profile of the Duchy's financial liabilities on a contractual undiscounted cash flow basis:

	Less than 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Borrowings	–	74,500	77,500	152,000
Net interest payable on swaps	–	(8,215)	(4,187)	(12,402)
Trade and other payables	32,790	–	–	32,790
At 31 March 2024	**32,790**	**66,285**	**73,313**	**172,388**
At 31 March 2023	37,793	37,769	89,641	165,203

Credit risk
The Duchy uses external investment consultants to assess the credit quality of banks and financial institutions based on their financial position, experience of past performance and other factors as deemed relevant. As set out in note 15 there is no significant concentration of credit risk with respect to trade receivables as the Duchy has a large number of tenants.

Capital management
The Duchy continually monitors its financial situation by means of regular management information and accounts. This ensures that the covenants in relation to the bank loan facility are adhered to.

24. Capital Commitments

As at 31 March 2024 the Duchy had entered into contracts for major improvement works in respect of various refurbishments that gave rise to capital commitments totalling £1,567,371 (2023: £1,797,941).

Duchy of Lancaster Rural Surveys

The Duchy of Lancaster Rural Surveys totalling approximately 44,830 acres are located as follows:

	Acres
The Staffordshire Survey	**7,397**
Needwood estate	
The Cheshire Survey	**3,512**
Crewe estate	
Marbury estate	
The Lancashire Survey	**9,875**
Whitewell estate	
Myerscough estate	
Wyreside estate	
Salwick estate	
The Yorkshire Survey	**15,127**
Cloughton estate	
Pickering estate	
Marishes estate	
Goathland estate	
Pontefract estate	
The Southern Survey	**8,922**
Higham Ferrers estate	
Castleton estate	
Ogmore estate	
Lincolnshire estate	
	44,830

Accounts of the Solicitor for the Affairs of the Duchy of Lancaster for the year ended 30 September 2023

The accounts of the Solicitor for the Affairs of the Duchy of Lancaster are not part of the accounts of the Duchy of Lancaster and are included for information. During the year 176 intestate estates (2022: 126) and 2,145 dissolved companies (2022: 1,968) were formally reported.

Income and expenditure account for the year ended 30 September 2023

	2023 £
Income	
Monies received from dissolved companies	8,102,514
Monies received from intestate estates	4,145,849
Interest and other	198,870
Monies received	12,447,233
Expenditure	
Payments to next of kin	(1,227,359)
Company restoration	(2,571,413)
Ex–gratia payments to claimants	(26,276)
Administration costs	(782,967)
Net income less expenditure	7,839,218
Paid to the Duchy of Lancaster	(6,461,648)
Net surplus for the year ended 30 September 2023	1,377,570
Cash balances at 1 October 2022	8,568,090
Net surplus for the year ended 30 September 2023	1,377,570
Cash balances at 30 September 2023	9,945,660

Balance sheet as at 30 September 2023

	2023 £
Current assets	
Cash and deposits	9,945,660
	9,945,660
Current liabilities	
The Duchy of Lancaster	(2,995,730)
Other creditors	–
	(2,995,730)
Total assets less current liabilities	6,949,930
Representing:	
Estates under administration	6,949,930

Accounts direction given by HM Treasury

Operating Review

1. The Duchy of Lancaster shall prepare accounts for the financial year ended 31 March 2024 and subsequent financial years comprising:
   - a Report of Council including a Governance Statement;
   - a revenue account statement of comprehensive income;
   - a capital account statement of comprehensive income, with a reconciliation of movements in the capital account;
   - a balance sheet; and
   - a cash flow statement.

   including such notes as may be necessary for the purposes described in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows for the financial year, and the state of affairs as at the end of the financial year. Subject to these requirements and the exemptions set out in Schedule 1, the accounts shall be prepared in accordance with UK - adopted International Accounting Standards (IAS).

3. The application of the accounting and disclosure requirements of the Companies Act 2006 (CA), accounting standards, and other disclosure requirements is given in Schedule 1 attached.

4. This direction supersedes that of June 2023. It shall be reproduced as an appendix to the accounts.

David Fairbrother
Treasury Officer of Accounts — June 2024

Schedule 1 – Accounting and disclosure requirements

Companies Act 2006

1. The disclosure exemptions permitted by the CA shall not apply to the Duchy of Lancaster unless specifically approved by the Treasury.

2. The CA requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Duchy shall be contained in the Report of Council for the year, which shall be signed and dated by the Clerk of the Council or other Proper Officer.

3. The Duchy shall take into consideration the CA requirements as they apply to non- listed companies (to the extent that they can be applied in the circumstances of the Duchy).

4. When preparing its revenue account, the Duchy shall take into consideration the requirements of the profit and loss account format 2 prescribed in statutory instruments 2008 No 410 (SI20081410), Schedule 1 Part 1.

5. When preparing its balance sheet, the Duchy shall take into consideration the requirements of the balance sheet format 1 prescribed in Schedule 1 Part 1 of SI20081410, subject to the exceptions listed below. The balance sheet totals shall be struck at "Net Assets" and the balance sheet shall be signed by the Clerk of the Council or other Proper Officer.

6. The Duchy is not required to provide the historical cost information described in paragraph 34(3) of Schedule 1 Part 1 of SI20081410.

7. The Duchy is not required to comply with the requirement specified in paragraph 35 of Schedule 1 Part 1 of SI20081410 to maintain a revaluation reserve.

Accounting standards

8. It is considered that the Duchy should prepare separate statements of comprehensive income for both the revenue and capital accounts rather than one statement of comprehensive income as required by IAS 1.

Other disclosure requirements

9. The Report of Council shall, inter alia:
   - state that the accounts have been prepared in accordance with this Treasury direction;
   - include a brief history of the Duchy and its statutory background, and identify its estates by county and area;
   - include a resume of the powers delegated to the Council and those retained by the Chancellor of the Duchy of Lancaster over and above those delegated to the Council;
   - provide information concerning the Duchy's charitable and other activities and the principles supporting them. The information should also indicate where copies of the accounts of the charities may be obtained.

10. The notes to the accounts shall, inter alia:
    - distinguish between the Capital and Revenue elements of the consolidated statements and disclose amounts owing from Revenue to Capital for permanent improvements (including the repayment profile) and depreciation rates;
    - disclose the names and qualifications of the valuers, both internal and external;
    - (where it arises) provide details of the terms of any loan from the capital account for revenue purposes, and the purpose for which it is required, together with explicit assurance that the loan is not being used to inflate the revenue surplus payable;
    - Provide details of salary and allowances of the Chancellor of the Duchy of Lancaster and each Council member, together with a note of the pension contributions made in respect of Council members. In addition, performance payments in the year should be separately reported from salaries in bands of £5,000.

11. A formal valuation of the pension scheme was undertaken in 2021 and the contribution rate subsequently adjusted to ensure that the deficit is forecast to be made good within the term recommended by the actuary and agreed by the Council and trustees after discussion with HM Treasury. Accordingly, the pension reserve required by IAS 19 shall be a separate non-distributable reserve within the revenue account balance sheet. The next formal valuation of the pension scheme will be undertaken during 2024.

DUCHY of LANCASTER

Annual Report

Report and accounts of the Duchy of Lancaster for the year ended 31 March 2024

www.duchyoflancaster.co.uk

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