DUCHY *of* CORNWALL

Sustainable Stewardship

for communities, enterprise and nature

INTEGRATED ANNUAL REPORT 2022

Highgrove House

DUCHY *of* CORNWALL

Integrated Annual Report 2022

For the year ended 31st March 2022

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

Any queries should be sent to: london@duchyofcornwall.org

Welcome

This Integrated Annual Report summarises activity on the Duchy of Cornwall estate for the year ended 31st March 2022. It aims to describe how decisions made in the course of meeting our commercial responsibilities affect local communities, the economy and the natural environment.

Contents

Strategic report

Governance

Accounts

Other information

Sustainable stewardship

The Duchy is a private estate that provides an income to The Duke of Cornwall. It is managed in harmony with The Prince's ethos so that it can be passed on with pride to the next generation.

History and constitution

The Duchy of Cornwall was created in 1337 by Edward III to provide an income for his son, Prince Edward.

The estate was established under the Great Charter of 1337 and is governed under the terms of the Duchy of Cornwall Management Acts.

The Duke of Cornwall has no access to the Duchy's capital value and pays income tax on the annual revenue surplus that he receives from the Duchy.

Introduction

Our vision, values and behaviours enable us to focus on generating positive financial, social and environmental impacts.

Our vision

Sustainable Stewardship – for Communities, Enterprise and Nature

The Duchy is a private estate that provides an income to The Duke of Cornwall. It is managed in harmony with The Prince's ethos so that it can be passed on with pride to the next generation.

Our values and behaviours

Our vision is supported by our values and behaviours and the loyalty, passion and commitment of our people.

We are visionary; we lead with integrity; we act responsibly; we encourage inclusivity.

Our activities

Through our activities, we aim to generate positive impacts and value over the long term, balancing environmental, social and economic needs.

Our business model, page 22 →

Our performance

We measure our performance through key performance indicators.

Key performance indicators, page 24 →

Our critical success factors

We are guided in all that we do by our critical success factors:

- **Viability**
- **Sustainability**
- **People**
- **Reputation**
- **Governance**

You can learn more about these on page 24 →

Hell Bay, Bryher, Isles of Scilly

Value creation highlights 2021/22

Distributable surplus

£23.0m

1.7% average annualised increase over the last two years (2020/21: £20.4m)

Net assets

£1,049m

including £1,015m of investment property assets, £49m of cash and £137m of borrowings (2020/21: £959m)

Renewable energy installed capacity

3.0 MW

of installed capacity, to date, in solar PV, biomass boilers, heat pumps and a hydroelectric scheme, at a cost of £4.0million (2020/21: 3.0MW)

Environmental impact

234,860 tCO_2e

Scope 1, 2 and 3 emissions (baseline year 2019/20)

Sequestration and avoided emissions

26,040 tCO_2e

from woodlands, marine assets and biomethane and renewable electricity generation

Quality of customer service

78%

of tenants satisfied or very satisfied with customer service (2020/21: 80%)

Farm tenancies

21 years

Average length of Farm Business Tenancies (2020/21: 21 years)

"This year, we have progressed significantly in our efforts to protect and enhance natural capital and work towards net zero carbon – vital work supporting, and supported by, our ongoing financial viability."

Alastair Martin, Secretary and Keeper of the Records

Our year

2021

April

Planning permission is secured on a Duchy of Cornwall site for a scheme to provide much-needed affordable new homes on St Mary's. In collaboration with the Council of the Isles of Scilly twelve serviced plots will be made available to local residents for self- and custom-built homes in Old Town.

May

Six new Duchy of Cornwall holiday cottages near Truro, Cornwall, are granted planning permission. These include two stone barns that will be converted using low-carbon materials and methods into two properties with a wheelchair-friendly unit. A new footpath will link visitors to the riverside walk between St Clement and Tresillian. This will help progress our Viability critical success factor – see page 26.

June

Wildflower meadows are created throughout the summer to promote biodiversity on over 48 hectares of Duchy farmland in Cornwall, Wiltshire, Herefordshire and Gloucestershire. The initiative brings together the Duchy of Cornwall and the Meadow Makers project, led by Plantlife, where The Prince of Wales has been a Patron since 1999. This is part of our Sustainability critical success factor – see page 30.

July

The Duke and Duchess of Cornwall make their annual joint visit to the South West to recognise the achievements of local businesses and community groups. Over three days, Their Royal Highnesses make private visits to tenants and offices as well as attending public engagements.

The Duchy sponsors a 'Wild Wild West' fundraising event in support of We Are Farming Minds, a mental health charity set up by Duchy tenants Sam and Emily Stables. Money raised will fund a 24-hour helpline and time off for farmers who are struggling with their mental health.

August

Nansledan is awarded the South West Award and shortlisted for the Royal Institute of British Architects National Awards. This supports our Reputation critical success factor – see page 32. The judges comment:

"The real achievement here is at the masterplan level, with a new urban settlement that shows great townscape and landscape-led placemaking potential."

September

The Dartmoor Hill Farm Project hosts a second round of His Royal Highness's Farm Resilience Programme. Fourteen participants take part in the event, which allows farmers to reflect on their businesses, receive specialist advice and discuss ideas with their peers. The project is funded by the Duchy of Cornwall, Dartmoor National Park and The Prince's Countryside Fund.

In Herefordshire, 'Woodland to Workshop' returns to the Duchy's Timberline Wood and Shenmore Lodge. Led by Woodland Heritage, the course aims to link tree growers with wood users and is supported by knowledgeable practitioners and speakers, including the Duchy's Head Forester, Geraint Richards. Over 250 people have taken part since 2011. This is part of our People and Sustainability critical success factors – see pages 28 and 30.

November

A Remembrance woodland marking 100 years of the Royal British Legion is officially opened in Nansledan on Armistice Day, 11th November. It features 100 trees planted by the Duchy to create a place of calm and reflection. In March 2022, The Duke of Cornwall visits, and unveils a plaque dedicating the site to The Queen's Green Canopy as part of Her Majesty's Platinum Jubilee celebrations.

December

The Christmas Market successfully returns to the Buttermarket at Poundbury following a year off due to COVID-19. The event coincides with Small Business Saturday and sees 5,000 people visiting more than 40 stalls featuring a variety of local crafts and produce. The Duchy provides Christmas trees for Queen Mother Square and the Great Field and there's an evening of carol singing organised by Pip's Café.

2022

February

Plans are finalised for a new restaurant and extension at the Duchy of Cornwall Nursery in Lostwithiel. Originally a slate quarry, the Nursery began producing trees in the late 1960s, and went on to become one of the largest and most well-respected nurseries in the South West. This will contribute to our Viability critical success factor – see page 26.

TOUR OF THE DUCHY ESTATE

Our diverse portfolio

The Duchy of Cornwall estate spans 20 counties in England and Wales. The map highlights a selection of sites from our varied portfolio.

52,450
hectares of land

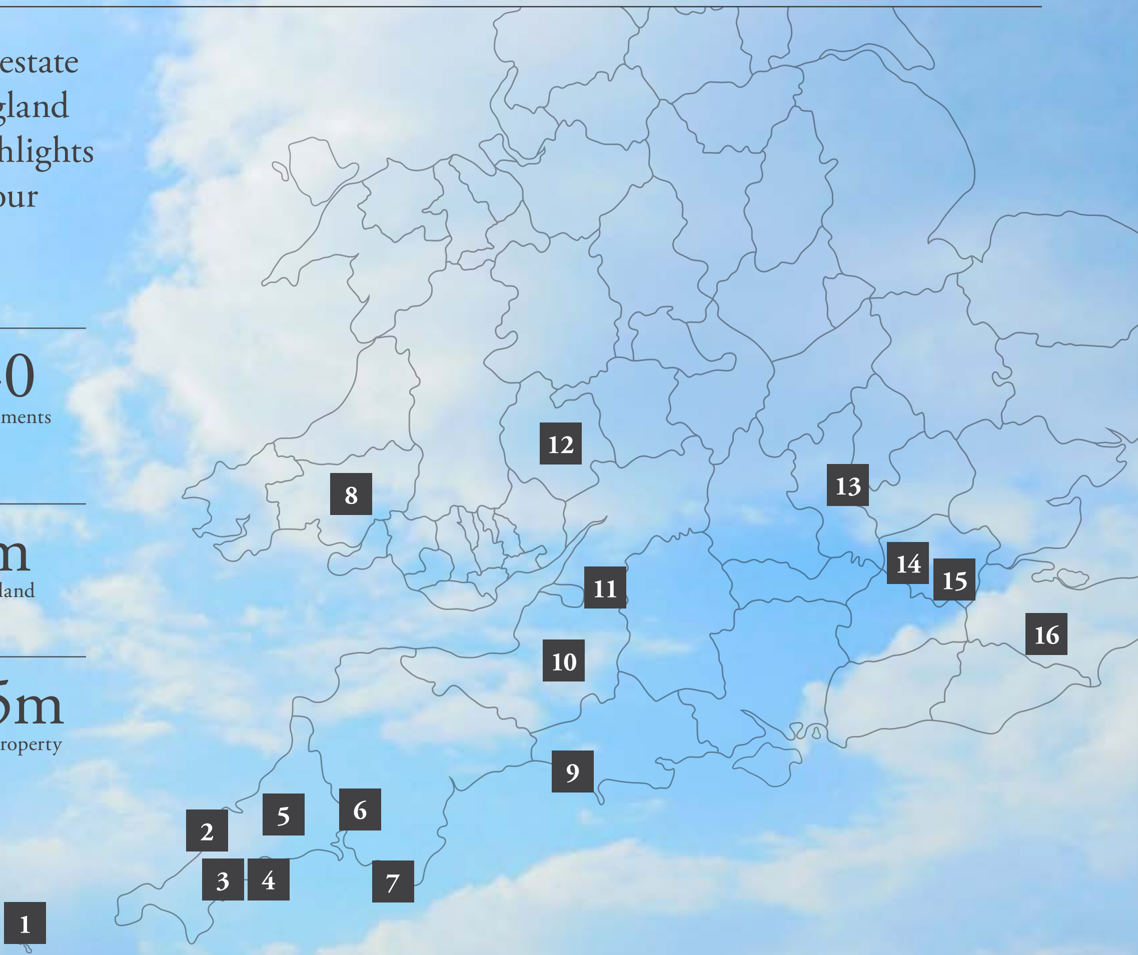
2,640
tenancy agreements and leases

2,830
hectares of woodland

£58m
development land

260
fully equipped farms

£345m
commercial property



Newton Park Estate, Somerset

Isles of Scilly

The Isles of Scilly have been part of the Duchy of Cornwall since the 14th century.

Nansledan

The Duchy's major community development project on Duchy of Cornwall land by the coastal town of Newquay.

Duchy of Cornwall holiday cottages

We have a small number of period properties available as holiday cottages.

Duchy of Cornwall Nursery

The Nursery and renowned café at Lostwithiel opened its doors to the public in 1975.

Ancient monuments

Launceston Castle is one of 17 major Duchy ancient monuments. Others include Restormel, Tintagel and Trematon Castles.

Dartmoor and Princetown

Most of the Duchy's 27,200 hectares on Dartmoor have been part of the estate since the 14th century.

Coastal and inland waters

Including the Dart, Salcombe and Kingsbridge, Avon, Tamar, Looe, Helford and Camel estuaries and coastal foreshore around Devon, Cornwall and the Isles of Scilly.

Llwynywermod

The Welsh home of Their Royal Highnesses The Prince of Wales and Duchess of Cornwall.

Poundbury

An urban extension to Dorchester, Poundbury is built on principles of architecture and urban planning advocated by The Prince of Wales.

Wessex

The Eastern District includes land in Gloucestershire, Somerset, Wiltshire and Dorset.

Highgrove House and Home Farm

Highgrove House is the family home of Their Royal Highnesses. The nearby 425-hectare Home Farm is entirely organic.

Herefordshire

Incorporating the Guy's Estate and the Cradley Estate.

Commercial portfolio

Standard investment properties, the majority of which are located in London, Milton Keynes and Cornwall.

Head office

The Duchy's head office is at 10 Buckingham Gate, London. It includes the Duchy archive store.

London

Mainly Kennington Estate properties, including the direct letting of 16 flats and 23 houses, various commercial buildings, The Oval cricket ground and a number of long leases.

Kent

Purchased in 2000, includes 350 hectares of farmland and rural residential property.

ALASTAIR MARTIN, SECRETARY AND KEEPER OF THE RECORDS

From the Secretary and Keeper of the Records

For many years we have been guided by our purpose and values – our compass to guide our financial, social and environmental impacts. This year all Duchy staff were involved in an exercise to refresh our vision, objectives and values. The headline of our vision is unchanged – Sustainable Stewardship – but we now explicitly say that this is for Communities, Enterprise and Nature. This reaffirms our commitment to achieving a balance between financial results, protecting the natural environment and supporting our communities, which is at the heart of the Duchy ethos.

After the immense challenges of 2020/21, this year has seen a return to more normal conditions and a record financial performance. Indeed, the bounce-back from the pandemic has been quicker than anticipated for many of our tenants, and therefore for us. Our trading enterprises at the Nursery in Lostwithiel, Cornwall, and our portfolio of directly let holiday cottages, had a very strong year. Many people chose to remain in the UK for their holidays and sought out the quality offer we provide, resulting in record bookings and visits. We discuss our plans for additional investment in these businesses on pages 26–27.

We are now in the sixth year of undertaking tenant surveys. Previous surveys have consulted with residential and commercial tenants. This year we completed our second survey of agricultural tenants, with an emphasis on sustainable farming practices. Headline results show a large majority of tenants with very positive responses: 86% find the Duchy has “friendly and approachable staff”, and 84% are either satisfied or very satisfied overall as occupiers. With regards to our sustainability agenda, no tenants strongly disagreed with it, and only 4% disagreed. Areas where we need to do more include the speed of completion of repair works, and tenants’ understanding of our net zero journey.

Our main development sites at Poundbury and Nansledan continued apace throughout the year in response to strong demand for new homes and employment space. Strong local supply chains shielded us from the worst of restrictions in material supplies, and our housebuilders are set to deliver record levels of new build in 2022.

Nansledan in particular has seen good growth. Reassuringly, over 70% of private homes are still being sold to local people, and 30% of all homes are designated as affordable housing. As the Duchy progresses its first directly delivered commercial development, the commercial hub and heart of Nansledan, wider supply chain cost pressures are at the forefront of our minds. Additional planting to achieve a minimum 10% biodiversity net gain across our sites included 100 trees to mark the centenary of the Royal British Legion. In Poundbury, we have commenced the final phase of building, due to complete in 2026. The Great Field’s play area was completed in early May 2022, a much-awaited addition for local children and adults alike.

Following Government announcements in July 2021, Duchy staff had a gradual return to working from offices from 1st September 2021. At the same time, we introduced an agile working policy. Further investment was made in IT and infrastructure to allow for efficient and safe working from both offices and home. As with many organisations, video conferencing has become a permanent feature of the new working landscape, improving communication and reducing the environmental impact of our working practices. We have also pressed on with our digital working programme.

Exceptionally, last year I reported a fall in the income generated for The Duke of Cornwall. That £1.83million reduction, a fall of 8.2%, has been reversed, and the surplus generated this year is £23.0million, an improvement on the last “normal” year (2019/20). This includes a record spend on property repairs. There were a number of one-off contributions to this result.

“Our commitment to achieving a balance between financial results, protecting the natural environment and supporting our communities is at the heart of the Duchy ethos.”

While residential and commercial property rents have been increasing, we may see downward pressure on agricultural rents coupled with increasing costs – for both staff salaries and significant repair cost inflation. I therefore expect little if any increase on this surplus figure for 2022/23. However, our medium-term planning suggests modest growth in 2023/24 and the following year as investment restructuring and material rent reviews on a few key properties bear fruit.

There have been further planned changes in the make-up of The Prince’s Council and the senior Duchy team this year. The Hon Sir James Leigh-Pemberton has retired from his role as Receiver General on Council, which he had held since 2000 – making him one of the longest-serving members in the role in modern times. He is succeeded by Edward Harley, previously a partner at Cazenove and Co, who is now a trustee of several landed estates and Lord-Lieutenant of Herefordshire. John Stephen has retired from Council and as Chair of the Commercial and Development Committee and is succeeded by Alistair Elliott, who was until recently Senior Partner and Group Chair at Knight Frank. After 33 years working with the Duchy, Chris Gregory, Land Steward Western District and Isles of Scilly, retired in April 2022. I am very grateful for all their significant contributions over this period of growth and change for the Duchy.

In my foreword last year I expressed optimism about the future. That the Duchy has bounced back so well after a difficult year in 2020/21 is due in no small part to the efforts of all staff. They continued to adapt to new ways of working, while maintaining the close relationships with our tenants that are so valued. I was delighted to see the outcome of workshops on what it means to work for this unique organisation. Staff continue to put into practice the values and behaviours they identified: we are visionary, we lead with integrity, we act responsibly, we encourage inclusivity. This year, we have progressed significantly in our efforts to protect and enhance natural capital and work towards net zero carbon – vital work supporting, and supported by, our ongoing financial viability. As ever, the knowledge, interest and involvement of The Duke of Cornwall and The Duke of Cambridge have been vital to all that we do. I thank all staff for their contributions in delivering these results.

Alastair Martin
Secretary and Keeper of the Records

The contents of the Strategic Report are signed on behalf of the Proper Officers by Alastair Martin, Secretary and Keeper of the Records, 17th June 2022

MATERIAL ISSUES

Understanding what matters most

Three years ago we conducted a materiality review to understand the issues that most significantly impact our ability to create value. We considered the importance of each issue in terms of its relevance to stakeholders, and in terms of the Duchy's economic, environmental and social impacts. The results inform our strategy and governance.

In late 2020 the Duchy Executive Committee started a strategic review process based on these material issues. Together with external change management consultants, we reviewed and developed our vision and critical success factors, revised our strategic objectives and started work on the operational plan and key performance indicators to achieve them. During 2021 we completed work on our operational plan and undertook a major staff engagement exercise to review the values of the organisation and capture new ones.

This has resulted in a new plan that summarises our vision, values and goals (see pages 22–23). Our updated goals are grouped under five critical success factors – Viability, People, Sustainability, Reputation and Governance – that form the basis of this report. These themes reflect the issues that emerged in the materiality review and ensure we are focusing on what matters most to our stakeholders.

Pras Trewolek (Trewolek Meadow), Nansledan, Cornwall

Our materiality review process

1. Desk-based research involving peer review and media research to benchmark material issues reported by stakeholders.
2. An employee survey to rate and rank 39 shortlisted issues.
3. Materiality workshops with internal and external stakeholders to refine findings. Some issues were removed or consolidated, and others changed in importance for stakeholders.
4. Results reviewed and refined by the Duchy Executive Committee and members of the Finance & Audit Committee.
5. Reporting of our materiality results to stakeholders in our last three Integrated Annual Reports.
6. Establishing new critical success factors and key performance indicators, published internally in February 2022 and externally for the first time in this report.

Material issue

PEOPLE AND CULTURE

1 Diversity and inclusion

2 Employee engagement

3 Employee health and safety

ENVIRONMENT

4 Climate crisis

5 Managing and improving natural capitals

SOCIETY

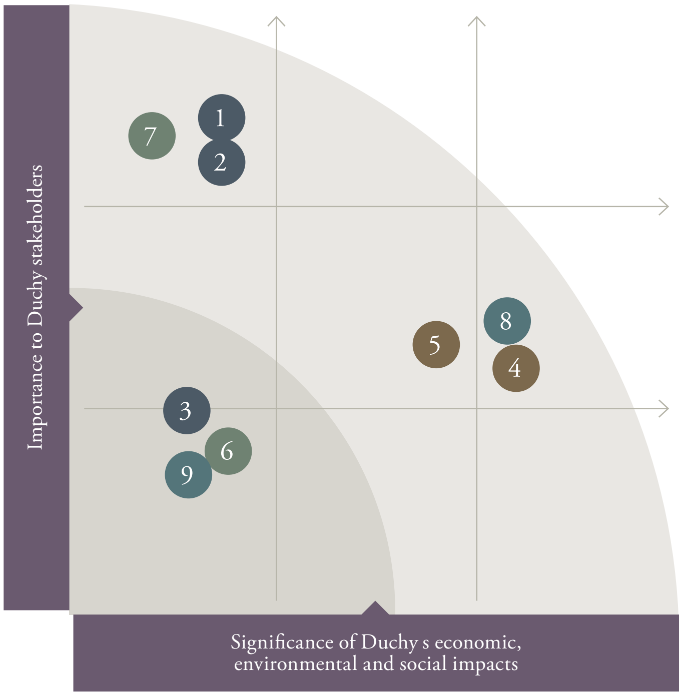
6 Affordable housing

7 Relationships with tenants

GOVERNANCE

8 Reputation, communications and awareness

9 Responsible investment



PRINCIPAL RISKS

Factors influencing value creation and principal risks

In a changing world we will always face risks and uncertainties. Even with our comprehensive approach to risk management, we cannot eliminate all risks – we can only anticipate how they might impact the Duchy and its operations and develop a robust response.

The Duchy has a comprehensive risk management process that covers all assets and activities and its strategic, project, operational, hazard and financial risks. The Prince's Council and its Committees take account of strategic risk as part of their deliberations. Project, operational, hazard and financial risks are controlled by members of the Executive Committee, and any issues that arise are raised at regular meetings or escalated earlier where necessary.

A risk register and risk management structure supports the Council and its Committees. Risks are grouped by asset or activity with a named individual responsible for assessing each risk and the corresponding mitigations. Our overarching risk management structure categorises risks for review and comparison, and our risk management process seeks to minimise potential adverse impacts.

Risks and external factors that could have a material impact on our work and value creation, set out on the following pages, are categorised as follows:

1 external factors that affect the Duchy's ability to create long-term value;

2 strategic and operational risks; and

3 financial risks.

Newton Park Estate, Somerset

1 *External factors affecting value creation*

Macroeconomic volatilities exacerbated by global political instability

The risk

Over the year there was growing volatility in economic variables such as interest rates, inflation and commodity prices. The war in Ukraine has heightened the situation. The implications of COVID-19 also continue as the economy begins to recover.

Potential impacts

Rising commodity prices increase income for those producing commodities but increase costs for consumers. This makes planning more difficult, causing uncertainty. Rising interest rates are likely to drive up property yields, in turn depressing capital values. Increased costs of finance and commodity prices may reduce tenant profitability, impacting upon rental values.

Our response and management

We have increased the frequency of our monitoring of these issues. With long-term fixed-rate financing in place, our cost of capital will not be affected by rising interest rates. We will stay closely in touch with our tenants to understand the impacts on their livelihoods.

Regulatory changes: the Agriculture Act and trade deals

The risk

The Agriculture and Environment Acts have now been passed and the framework for the post-common agricultural policy (CAP) support for English agriculture is in place. However, the full suite of practical and funding mechanisms that will form the basis of a financial package that enables the contemporary transition of farming to achieve greater environmental sustainability has yet to be revealed. The period of adjustment (‘the transition period’) between 2021 and 2027 is also predicted to expose some farm businesses to cash flow risks and this now coincides with commodity and input cost volatility, due to the inflationary pressures in the energy markets and the impact of the war in Ukraine. The post-Brexit environment with new regulatory requirements, labour shortages and uncertainty around trade deals further exacerbates the situation.

At this time, the agriculture sector is facing extraordinary uncertainty.

Potential impacts

The new financial support model for farmers is radically different in approach and centred around ‘a pathway to sustainable farming’. It is likely some farmers will choose to exit the industry, while others may not succeed in making the necessary adjustments and may fail.

Many businesses will need to ensure they have the knowledge and skills to engage with new opportunities. Enterprises may also be challenged by the removal of direct support payments and the need to consider new investment to improve productivity and financial margins.

These issues will affect the Duchy’s approach to the structure of its agricultural estates and how rural land is used.

Our response and management

We are completing a comprehensive review of our rural property portfolio, examining the resilience of our let farming estate, reviewing how effectively assets are used and the potential to improve productivity.

Where tenants wish to retire from the industry, we will seek to agree an exit. As we reconsider the structure of farms and estates, we will be mindful of the need to protect the social structure and also look to secure future land uses that respect the sustainable use of resources.

Our current audit of natural capitals will be of fundamental importance as we work with tenants and the next generation of tenants to prescribe an approach to farming that adds to the value of nature. We will focus on securing collaboration between tenants and adjoining land managers to achieve ‘landscape scale’ responses to environmental enhancement that also secure greater business viability.

PRINCIPAL RISKS

1 *External factors affecting value creation (continued)*

Social and economic conditions following the COVID-19 pandemic

The risk

The global COVID-19 pandemic and resulting lockdowns in many countries, particularly the UK, had an immediate impact on our tenants and their livelihoods, and on our communities. There are likely to be longer-term social and economic impacts, many of which are still unclear.

Potential impacts

The Duchy's success is built on the success of its tenants and its trading enterprises, and the health of the communities where we operate. Many of our tenants were seriously impacted during 2020/21, in particular those in tourism, hospitality and retail, and some residential tenants. Those based on the Isles of Scilly and in Cornwall were especially badly hit. But the immediate economic impact on our tenants and their livelihoods has, by and large, now reduced.

In common with some of our tenants' businesses, our direct trading activities – St Mary's Harbour, the Duchy Nursery and our holiday cottage portfolio – have fared much better than expected.

Our response and management

During the first year of the pandemic, we acknowledged the significant social and financial disruption the Duchy family – our tenants, staff and communities – faced.

We put in place a programme of rental deferrals, waivers and deferred rent reviews where appropriate. Thankfully, over the past year there has been very little call on these measures.

The climate crisis and severe weather

The risk

The world needs to limit global warming to 1.5 degrees celsius. This requires "rapid, far-reaching and unprecedented changes in all aspects of society"[1]. Farming, land use, development and housing all affect, and are affected by, global warming, and must contribute to solutions.

It is predicted that "within the next decades, the climate crisis is likely to have severe effects on UK agriculture. Increased numbers of 'extreme weather events' – such as floods – may be the most serious immediate problem"[2].

Potential impacts

More severe weather patterns, such as heavy rainfall and flooding, create difficult conditions for farming and damage the land. As the Land use: Policies for a Net Zero UK report from the Committee on Climate Change notes, the UK's net zero carbon target will not be met without changes in how land is used. This presents challenges for our tenants and their farming operations, and for how our areas of common land (particularly peat) are managed.

Our response and management

We are taking action across the estate, particularly through our Net Zero Carbon Programme and Natural Capital Project (see pages 89 and 31). We need to understand the impacts of the climate crisis and severe weather on our tenants, what they and the Duchy can do to reduce their impacts and adapt, and how the estate can be part of the solution. Our Zero Carbon Task Force has continued its work, and we have recruited or are recruiting (amongst other posts) a Head of Sustainability, Future Farming Team Leader, Communications and Education Officer, Sustainable Buildings Officer and Sustainability Analyst. An annual budget of over £2million has been approved to address both the climate crisis and biodiversity loss.

[1] Intergovernmental Panel on Climate Change (IPCC)
[2] researchbriefings.files.parliament.uk/documents/SN03763/SN03763.pdf

2 *Strategic and operational risks*

	The risk	*Potential impacts*	*Our response and management*
A *Capital cash generation*	The ability of the Duchy to generate capital cash flow is primarily related to the health of the property market. Our forward financial planning suggests a strong requirement for capital investment over the coming years, with reduced receipts.	Without sufficient capital funds we are likely to be restricted in how we provide sufficient income by rebalancing the portfolio in income-earning assets. **Critical success factors impacted:** - Viability - Sustainability **Resources and relationships affected:** - Financial - Manufactured	We combine good budgetary control and forward planning with ongoing strategic reviews of asset holdings. During 2018/19 we took a significant step to mitigate this risk by reissuing debt via fixed-rate loan notes of between 40 and 50 years. During 2020/21 a non-core commercial property was sold, raising capital funds, part of our ongoing review of investment opportunities. During 2021/22 a significant commercial property was sold with the majority of the proceeds reinvested in a more diversified portfolio of property.
B *Tenant livelihoods*	The complex and uncertain outlook faced by the agricultural sector and other rural businesses brings financial, social and environmental risks.	Some commodities and farming enterprises continue to come under financial pressure, which significantly affects many of our tenants. **Critical success factors impacted:** - Viability - People **Resources and relationships affected:** - Natural - Financial - Community	Our increasingly diversified asset portfolio mitigates the scale of this risk to the Duchy. However, for our agricultural tenants, life continues to be challenging on several fronts.
C *Safe buildings and places*	Being the owner of a large portfolio of buildings and associated structures brings inherent safety risks. Site health and safety is vitally important, especially where we undertake maintenance and improvement projects. Similar risks are presented by our historic minerals assets (mines, quarries, workings), the Marine Estate and St Mary's Harbour, and our trading enterprises and subsidiaries.	Without a comprehensive approach to health and safety and a thorough risk management process, we expose tenants, the public and staff who use these buildings to the risk of harm and our buildings to damage. **Critical success factors impacted:** - People - Sustainability - Reputation **Resources and relationships affected:** - People - Manufactured	Safety is a key focus for the team of building surveyors and land agents who manage our properties. We are currently recruiting a replacement Health and Safety Manager. Once this vacancy is filled, we expect the risk to reduce. We maintain a comprehensive risk register and risk oversight process covering all assets and activities. Our comprehensive internal health and safety oversight structure is supported by specialist consultants where required. A safety training programme is provided for all employees.
D *Public under-standing and perception*	The Duchy estate is a unique organisation. Public understanding and perception of its work, and the outcomes it achieves, are important to its ability to create value.	There is a risk of confusion among stakeholders over the scope and role of the Duchy of Cornwall estate; for example, it must be differentiated from Duchy Originals (now known as Waitrose Duchy Organic), an organic food brand set up by The Prince of Wales in 1990 and a separate entity. The Duchy is also quite distinct from the County of Cornwall and there is room for confusion in this respect. **Critical success factor impacted:** - Reputation **Resources and relationships affected:** - People - Community - Intellectual	Following a detailed review of our values and behaviours, a new Reputation critical success factor has highlighted the importance of this topic. Communication continues through the Duchy website, press releases, this Integrated Annual Report and the new Net Zero Carbon Report. Duchy employees are engaged in a broad programme of outreach with communities where Duchy assets exist. Examples are discussed on page 32, where we consider Reputation.

PRINCIPAL RISKS

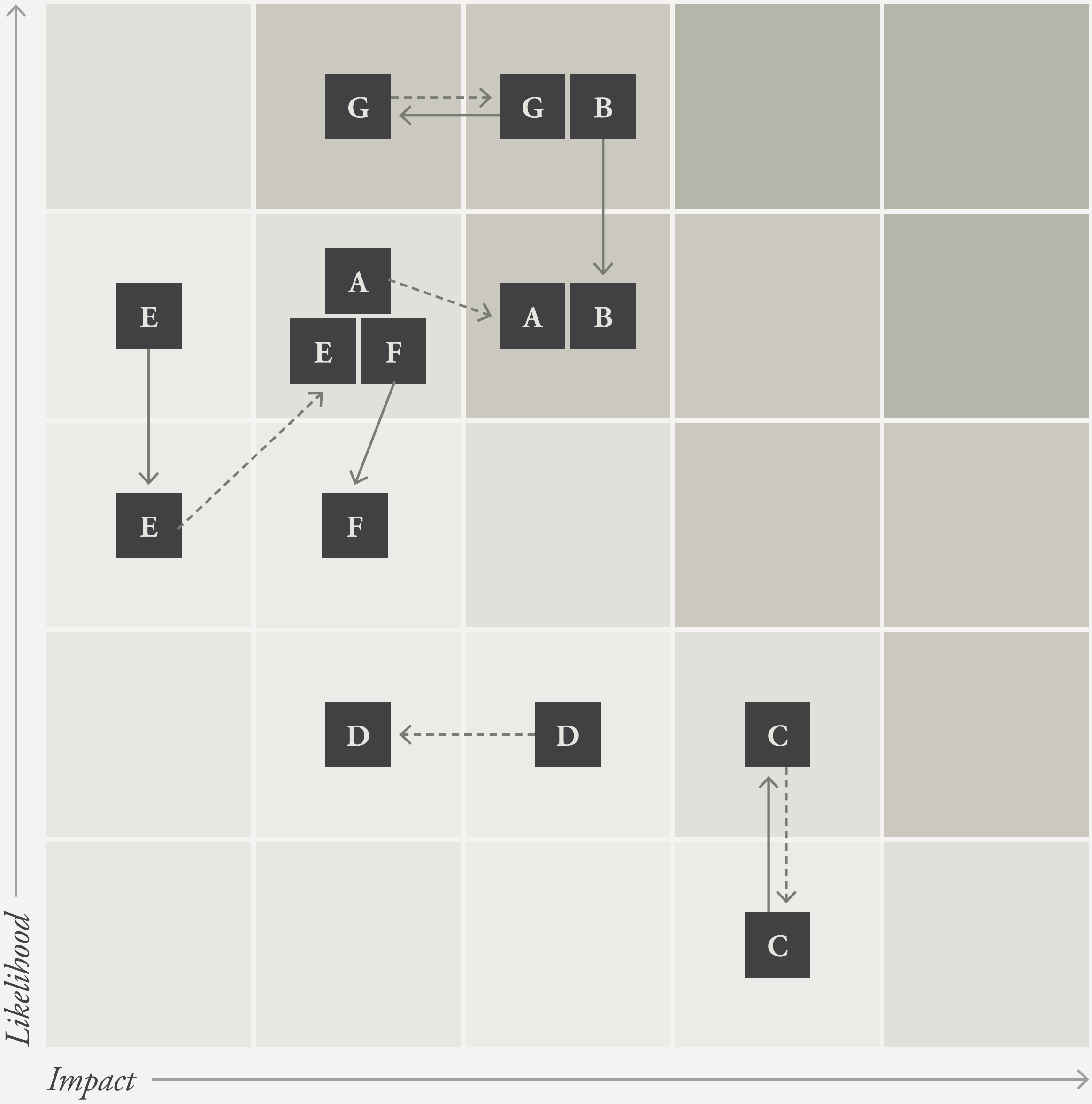
3 *Financial risks*[3]

	The risk	*Potential impacts*	*Our response and management*
E *Property*	The capital and rental values of property can fall as well as rise over time, and property can be an illiquid asset. Oversupply of a particular type of property, or in a given location, can result in void periods. The immediate impact of the pandemic was to create volatility in the property market, followed by sustained increases in values, particularly within parts of the commercial portfolio and in the residential sector. For this reason we believe the potential likelihood of property risk reduced over the year, but continuing volatility could increase both the likelihood and the impact.	If property values fall, the Duchy's asset values will also fall. However, while a 10% fall in property values would represent a capital loss of around £100million, the Duchy rarely trades its portfolio, so losses would not be crystallised. Our property is held for the medium and long terms, often hundreds of years. Short-term market fluctuations, therefore, represent only accounting movements.	The Duchy holds a diversified property portfolio that is actively monitored by management to reduce the overall risk profile. It is not materially dependent on any one property type or location. During the year our single largest asset was realised and reinvested in three smaller lot sizes, more than matching the rent roll and generating a capital cash surplus. There is more information about the portfolio in note 8 to the financial statements (see page 67).
F *Credit*	The Duchy is exposed to credit risk in relation to our tenants, who might default on their rent or, where applicable, their share of maintenance costs.	The creditworthiness of our tenants can impact both whether and when rents are received. The major impact is from slow payment, which affects our cash flow. With the social and economic impacts of the lockdowns now much reduced, the general likelihood of this risk has decreased, although there remain some individual causes for concern, which are being carefully monitored.	Credit risk in respect of the Duchy's tenants is regularly reviewed and appropriate action is taken where necessary. For new lettings, the Duchy undertakes credit checks and holds tenant deposits where appropriate.
G *Investment*	The Duchy holds financial investments valued at £92.2million, around 8% of its total assets. The value of investments rises and falls, and the income distributions can also rise and fall.	These assets are exposed to adverse movements within financial markets. The short-term volatility in capital values experienced in 2019/20 as a result of the pandemic has calmed, to be replaced recently by volatility brought on by global conflicts, inflation and interest rate rises. The impact on financial investment income streams has been less marked than anticipated, but the outlook remains uncertain.	The Duchy employs fund managers for its investment portfolios and the risks associated therein. Portfolios are regularly reviewed to ensure they reflect the overall objectives of the Duchy and are primarily held for the income generated and their medium-term capital growth.

[3] Information on interest rate and exchange rate risk, as well as detail on key internal financial controls, can be found in note 21 to the financial statements.

How our risk profile is evolving

At 31st March 2022 our overall risk position has improved compared to a year earlier, mainly as a result of the lifting of lockdowns and the easing of their impacts on our tenants. Looking forward we see a more mixed picture: some risks will fall marginally as recruitment brings new skills and resources into the organisation; financial and property risks may increase slightly given inflation and continuing volatility in property markets.



The Duchy's principal risks

- **A** *Capital cash generation*
- **B** *Tenant livelihoods*
- **C** *Safe buildings and places*
- **D** *Public understanding and perception*
- **E** *Property*
- **F** *Credit*
- **G** *Investment*
- *2020/21 to 2021/22, actual movement* (solid line)
- *2021/22 forward, anticipated movement* (dashed line)

How we create and share value: our business model

Through our business model and with the guidance of The Duke of Cornwall, we approach our activities with commercial insight and social and environmental responsibility.

1 We rely on resources and relationships to create value

Understanding how we depend on and impact our inputs drives us to be efficient and responsible in the way we use and enhance them in the long term.

Financial

The estate's property assets, financial investments, loans and cash.

Manufactured

Mainly buildings – some very old, some newly constructed – and renewable energy installations.

Natural

As a historic estate of 53,000 hectares, natural capital is a major resource.

People

Our people's skills, capabilities, values and commitment, including our employees and Council and Committee members.

Community

Our community relationships that support the effective management of the estate.

Intellectual

The intellect, diversity and long-term service of our people, tenants and HRH as The Duke of Cornwall.

2 We always consider the most important issues for our stakeholders

Understanding what matters most to our stakeholders and which issues have the most impact on how we create value helps us manage risks and maximise opportunities.

- Being mindful of our reputation and how we communicate
- Understanding our long-term impact on the climate
- Knowing our impact on natural capitals such as soil, air and water
- Being aware of the potential impacts of political change and uncertainty
- Recognising the need to build a diverse and inclusive workforce.

3 We live by our values and behaviours

We are visionary

We are proactive, brave and innovative in meeting our objectives and encouraging our partners to do the same; we plan for the future with imagination and wisdom.

We lead with integrity

We respect our heritage and the environment in our actions; we strive to communicate openly and consistently.

We act responsibly

We are accountable, building trust with those around us; we are caretakers of the past, present and future of the Duchy estate.

We encourage inclusivity

We foster a culture of community; we treat customers, colleagues and critics professionally, mindfully and kindly.

4 We are guided by our critical success factors

Viability

- To provide a sustainable income stream for present and future Dukes of Cornwall
- To build capital to allow long-term reinvestment opportunities.

People

- To employ the very best staff and empower them to succeed and help deliver the Duchy's vision
- To encourage staff development for everyone to reach their full potential
- To recognise and celebrate our diverse workforce and their contribution to the Duchy's vision.

Sustainability

- To conduct our business in line with recognised standards of sustainable management that protect the planet.

Reputation

- To protect and enhance the Duchy's reputation
- To engage with and inform our key audiences
- To build strong partnerships with our tenants and communities.

Governance

- To be practical and trusted in our decision-making
- To ensure effective governance and management structures at all levels
- To ensure staff have a clear understanding of the Duchy's vision and how they contribute to it.

5 We create long-term value

Through our approach and activities, we generate positive impacts for all stakeholders, balancing environmental, social and economic needs.

Greater financial value

By delivering a growing revenue surplus and increased capital values.

→ **Our financial statements, page 48**

Enhanced natural capital

By supporting sustainable farming and rural communities.

→ **How we are reducing our environmental impact, page 30**

Stronger communities

By stimulating local prosperity and supporting rural infrastructure.

→ **How we are supporting communities, page 32**

How we create and share value: critical success factors

During the year, the Duchy Executive completed work on a revised operational plan and undertook a major staff engagement exercise to review the values of the organisation. This has resulted in a new plan that summarises our vision, values and goals. Our updated objectives are grouped into five critical success factors. These form the basis of our strategic governance of the organisation. On pages 26 to 35 of this report we consider each in turn, looking at objectives, key performance indicators (KPIs), case studies and what our future plans are.

Viability

- To provide a sustainable income stream for present and future Dukes of Cornwall
- To realise capital to allow long-term reinvestment opportunities to be resourced
- To maintain a diverse property portfolio that meets the long-term needs of stakeholders.

People

- To employ the very best staff and empower them to succeed and help deliver the Duchy's vision
- To encourage staff development for everyone to reach their full potential
- To recognise and celebrate our diverse workforce and their contribution to the Duchy's vision.

Sustainability

- To conduct our business in line with recognised standards of sustainable management that protect the planet.

How it is measured (KPIs)

Viability
- An ethical investment policy
- Income growth
- Capital cash flow.

People
- Empowered staff.

Sustainability
- Net zero targets
- Net zero carbon
- Improved natural capital
- Safe buildings and places.

Our progress

In 2020/21 we saw an unprecedented decrease in revenue surplus. Fortunately, our core activities and a good year for the trading enterprises delivered a record level of revenue surplus in 2021/22, a 1.7% annual increase over the last two years.

Following a recruitment freeze during the pandemic we have filled vacancies and expanded our teams to support new projects such as net zero carbon and natural capital. We wished a happy retirement to some long-serving staff and welcomed new team members, including an apprentice Forest Craftsperson.

The Duchy estate has a valuable opportunity to provide space for nature and solutions to the climate crisis, whilst continuing to produce food for our nation. These aspirations align with those set out in HRH's Terra Carta, to which we are a signatory. Two-thirds of our mainland farms have now had carbon footprint assessments.

Future focus

Our medium-term planning suggests that a sustainable growth in revenue surplus of around 1.8% can be achieved in the period through to 2025/26 – a decrease in real terms. We will continue to review income returns available from various asset classes, and their appropriate weighting within our overall portfolio.

We aim to become a silver Carbon Literate Organisation by July 2022 and achieve gold certification by January 2023. During the coming year we will fill remaining vacancies and new posts as well as introducing our redesigned staff appraisal system.

The coming year will be pivotal for many aspects of our sustainability work. We will complete the baselining of our farms' natural capital and begin implementing proposed enhancements with tenants. Detailed farm carbon audits will continue and our tree-planting programme will be expanded.

Related UN Sustainable Development Goals

Viability: 8 Decent work and economic growth; 11 Sustainable cities and communities

People: 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities

Sustainability: 11 Sustainable cities and communities; 13 Climate action; 15 Life on land

Reputation

- To protect and enhance The Duchy's reputation
- To engage with and inform our key audiences
- To build strong partnerships with our tenants and communities.

Governance

- To be practical and trusted in our decision-making
- To ensure effective governance and management structures at all levels
- To ensure staff have a clear understanding of the Duchy's vision and how they contribute to it.

How it is measured (KPIs)

- Tenant satisfaction
- Length of Farm Business Tenancies (FBTs)
- Jobs created by urban extension projects
- Community engagement on major developments.

- Staff understanding.

Our progress

We continue to work with local communities and organisations to ensure we engage and inform our key audiences. We have expanded our tenant communications with the launch of a natural capital newsletter explaining various aspects of natural capital management, including healthy soils.

This year we reviewed strategic risk and governance. Our digital working project continued, with upgrades to IT systems and a new intranet. This network acts as an information hub and a means for our geographically dispersed organisation to collaborate and communicate.

Future focus

We are pleased to be publishing our first Net Zero Carbon Report in June 2022. The document will explain the importance of the estate reaching net zero by the early 2030s. Once it is published, our staff will focus on tenant engagement.

New non-executives will bring a fresh viewpoint to governance across the Duchy. They will review Committee terms of reference and reporting routes, and provide insights into best practice. Recruitment and a new structure for our rural portfolio management will support existing teams.

Related UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

PERFORMANCE AGAINST CRITICAL SUCCESS FACTOR

Viability

Objectives

- To provide a sustainable income stream for present and future Dukes of Cornwall
- To realise capital to allow long-term reinvestment opportunities to be resourced
- To maintain a diverse property portfolio that meets the long-term needs of present and future Dukes of Cornwall.

Future planning: the next financial year

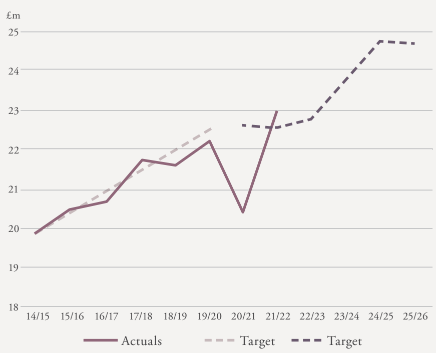
2020/21 saw an unprecedented decrease in revenue surplus. As we looked forward into 2021/22 we did so with a good deal of prudence, fully expecting the rebuilding of financial returns to take a number of years. In the event, core activities and a record year for the trading enterprises delivered a record level of revenue surplus. We recognise that this recovery has not been consistent across all our tenants' businesses and our asset classes, and that medium-term structural issues remain a concern for many. We are therefore cautious about 2022/23. There are some material commercial rent reviews in the pipeline, but the unprecedented trading results are unlikely to repeat.

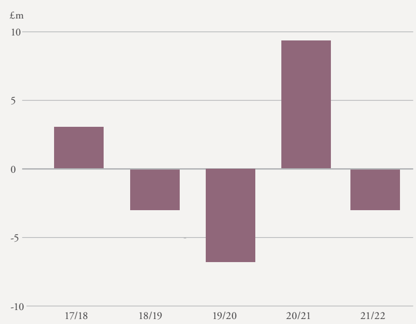
Cost inflation, particularly for our repair and capital investment programme, will mean that despite record budget allocations our continuing aim to improve standards will be a challenge. Our medium-term planning suggests that a sustainable growth in revenue surplus of around 1.8% per year can be achieved in the period through to 2025/26. This is likely to mean a real-terms decrease in surplus distributable to His Royal Highness. We continue to review the income returns available from various asset classes, and the appropriate weightings of these within the overall portfolio.

At the year end the Duchy had record net asset values, including cash, which should provide a good base from which to move forward and take advantage of opportunities as they arise.

Key performance indicators

	An ethical investment policy	Income growth	Capital cash flow
Target	Maintain all liquid financial investments in ethically and sustainably invested assets	Income growth in line with long-term sustainable financial plans	Generate positive capital cash flows from the property portfolio
Performance	All liquid financial investments remain invested according to the policy	1.7% average annualised increase over the last two years	-£2.9m capital cash flow from property
Commentary	There were no additions to the portfolio during the year and all liquid investments remain invested according to the policy.	Medium-term financial planning undertaken in early 2022 indicated a sustainable average annualised growth in revenue account surplus of 1.8% for the period 19/20 to 25/26.	The negative capital cash flow from property was in line with expectations. Significant expenditure at our development sites was not going to be matched by land sales. Rural portfolio sales were offset by high levels of investment in the estate.





Building sustainable income streams through investing in our Nursery and holiday lets

Over the last decade, we have been making significant investment in two trading enterprises based in the heartland of the Duchy.

At the Nursery, just outside Lostwithiel in Cornwall, work started in 2010 to create a new high-quality building that would be at the core of the renaissance of this business. Made from cob and timber, the building provides a home for a shop and café that complement the long-established plant sales operation. Improvements to the outdoor sales areas and, a new glasshouse and car park have followed. What had been a marginal and often loss-making enterprise is now a renowned destination in Cornwall, employs 36 full-time equivalent (FTE) staff, and provides a diversified and sustainable financial return. A £1.2million extension is planned, taking the total invested at the site to over £3million, securing these benefits for the longer term.

A similar strategy has been adopted for the Duchy's portfolio of directly let holiday cottages. The portfolio began with just two properties in 2004/05 with the aim of providing high-quality holiday accommodation, diversifying our income stream and allowing significant but justifiable investment in redundant property. In the process we have invested £7.1million and created 7 FTE jobs, bringing additional tourist spend into the county. There are now 25 units across Cornwall and the Isles of Scilly, with more planned.

These two trading enterprises now employ 92 people. The substantial investment has culminated in a meaningful and sustainable contribution to the Revenue account surplus.

Commercial property portfolio restructuring

During the year, the Duchy restructured a significant element of the core commercial property portfolio. An ageing distribution warehouse near Milton Keynes was disposed of and much of the proceeds reinvested in three properties: a small retail park, an out-of-town office building and a car showroom complex. The restructuring provides the advantage of diversification, longer and better income streams, and more energy-efficient, modern buildings. Income has been maintained and a capital cash surplus generated for future investment in appropriate assets.

Investment in new property: Kew An Lergh at Nansledan

Kew An Lergh is the first commercial development to be funded and delivered directly by the Duchy at Nansledan, comprising a nursery, a range of retail and office space and a café/restaurant.

This important project helps realise HRH's vision for Nansledan and supports the planning commitment to deliver high-quality, mixed-use community facilities. It contributes to securing a viable and sustainable income stream for the Duchy, adding geographic, tenant and business-type diversity to our property portfolio.

Lessons learned from the delivery of Kew An Lergh have helpfully informed the latest design discussions, project execution plans and appraisals for the upcoming Market Street project, and will continue to support and inform the delivery of wider KPIs and viability objectives for the Duchy as a whole.

PERFORMANCE AGAINST CRITICAL SUCCESS FACTOR

People

Objectives

- To employ the very best staff and empower them to succeed and help deliver the Duchy's vision
- To encourage staff development for everyone to reach their full potential
- To recognise and celebrate our diverse workforce and their contribution to the Duchy's vision.

Key performance indicator

Empowered staff

Target

Carry out a staff survey by December 2022 and baseline new KPIs on this

Future planning: the next financial year

We aim to become a silver Carbon Literate Organisation by July 2022, and gold (over 50% trained) by January 2023. All staff and non-executives will have the chance to participate. There has already been a very encouraging uptake.

A redesigned staff appraisal system focused on our new critical success factors will bed in, and begin to ensure alignment across the organisation. This will be supported by the completion of work on values and behaviours undertaken in 2021/22.

With the recruitment freeze that was put in place during the pandemic now lifted, existing vacancies and new posts should be fully recruited during the coming year. A staff survey will be undertaken by December 2022 so that new KPIs can be baselined and built upon.

Getting teams to act on carbon emissions – carbon literacy and engagement

To ensure that everyone at the Duchy can contribute to our Net Zero Carbon Programme (see page 89), we are equipping staff with the knowledge and skills to drive cultural change and meet our net zero goal.

We have encouraged all staff, Council and Committee members to take part in our bespoke carbon literacy and engagement programme, designed by an accredited Carbon Literacy Project (CLP) trainer. Over the past 10 years, the CLP has enabled 2,000 companies to prepare 23,000 people for climate action. We are aiming to become a silver standard organisation – with carbon literacy built into performance management processes and a substantial proportion of our staff trained. We will then aim for gold and platinum accreditation.

Chris Gregory

After 33 years' service with the Duchy, Chris Gregory retired as Western District Land Steward in April 2022.

Over the years, Chris has brought his knowledge and dedication to the Duchy as a member of the Executive and Rural Committees, as well as managing the Duchy's rural properties in Cornwall, Dartmoor, Kent and the Isles of Scilly.

"I have been extraordinarily fortunate to work in an area of the country that I adore, with people that make this part of the world so special. From the uplands of Dartmoor to the isolation of Scilly, the Duchy has landholdings in some beautiful but challenging locations. To have spent much of my career working with tenants who are charged with caring for these environments whilst running successful businesses, has been a privilege."

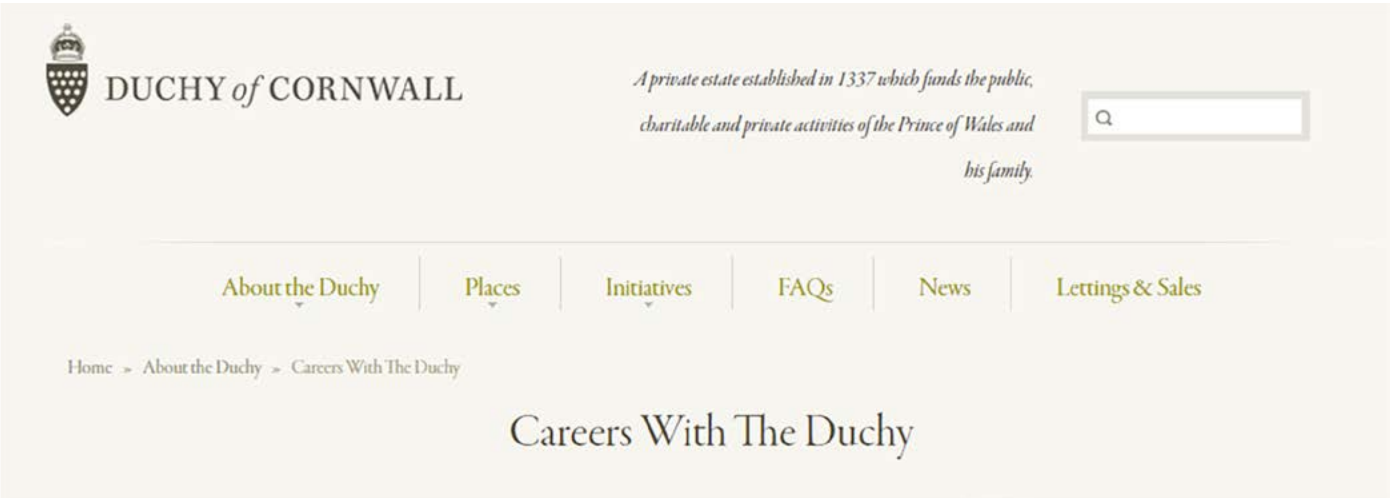
Rhys Morgan

The Duchy estate has offered several apprenticeships in recent years, providing a great opportunity for young people to gain experience and qualifications to enter a career in forestry.

Rhys joined the Duchy of Cornwall woodlands team in November 2021 as an apprentice Forest Craftsperson, based in Herefordshire.

Under guidance from his colleagues in the woodlands team, Rhys works with the seasons to help deliver our vital woodland management programme.

Rhys also attends Herefordshire and Ludlow College's Holme Lacy Campus to gain the theoretical knowledge that underpins his practical role, and he will also attend training for practical competency qualifications.



Attracting and empowering the very best staff to succeed

Following the end of the lockdown-induced recruitment freeze, we transformed our recruitment approach, to reach – and keep – more diverse candidates. Through modernising job advertisements and our interview process, offering alternative work patterns and benchmarking our salaries and non-contractual benefits, we are building an even more diverse, dynamic and fulfilled team.

We have also enhanced our induction and probation processes to onboard new staff in the most welcoming and professional manner. We ask new recruits about their experience of the culture and vision of the Duchy as well as their role during probation reviews, and in 2022, we will carry out an enhanced staff survey.

PERFORMANCE AGAINST CRITICAL SUCCESS FACTOR

Sustainability

Objective

- To conduct our business in line with recognised standards of sustainable management that protect the planet.

Future Farming Programme – improving natural capital assets and reducing emissions

The Duchy estate has a valuable opportunity to provide space for nature, whilst continuing to produce food for our nation – aspirations that align with those set out in HRH's Terra Carta. In recent years, our natural capital team have been developing bespoke environmental resource management plans for each farm on the estate. Now in the final year of this programme, we are completing the audit phase, capturing baseline data from nationally available datasets for each Duchy farm. Together with the Duchy's agricultural tenants, our team will develop opportunities to protect and enhance the environmental features highlighted through the audit process.

We have also been working with partners at the Farm Carbon Toolkit to further our understanding of the estate's Scope 3 carbon emissions, the condition and sequestering power of our soils, and therefore the net emissions at farm and estate levels. This will help identify opportunities to reduce emissions and introduce new features to increase sequestration.

Of 166 holdings across the mainland estate, 111 have been completed, and of these, 43 were in the last year. We have also begun natural capital surveys on the Isles of Scilly. Of the 26 holdings there, seven have been surveyed, all in the past year.

Future planning: the next financial year

The coming year will be a pivotal one for many aspects of our sustainability work. A newly appointed Head of Sustainability will take the Net Zero Carbon Programme out of planning and trial and well into delivery phase. Enabling initiatives that will be developed further in the year include the sustainable procurement guide, our emissions offset policy and integrating a shadow price of carbon into our capital expenditure decision-making processes.

The future farming engagement toolkit, currently in small-scale trial, will be rolled out and iterated. Peatland restoration works on Dartmoor will continue. Further innovation and research pilots will be undertaken on techniques for dealing with both new construction and existing buildings. Our tree-planting programme will expand.

Ground-truthing and baselining of farm natural capital will be completed during the coming year, with attention turning to working with tenants on implementing proposed enhancements. Detailed farm carbon audits will continue – we aim to have all mainland farm audits completed by March 2023.

Key performance indicators

Net zero carbon targets

Target

Net zero carbon targets endorsed by Science Based Targets initiative (SBTi) by June 2023

Performance

Ongoing

Commentary

During the year, new posts of Head of Sustainability and Senior Sustainability Analyst have been appointed. The SBTi project is a key task for them.

Dartmoor peatland restoration

The UK is home to 13% of the world's blanket bog, a globally rare peatland habitat that is not only rich in wildlife, but can also safely store millions of tonnes of carbon and ensure an abundant, clean water supply when in a natural wet state. However, centuries of draining and cutting – largely for fuel – have degraded Dartmoor's peat bogs, putting wildlife, carbon stores and water supplies at risk.

Since 2010 we have invested in restoring the peatlands owned by the Duchy of Cornwall. By 2021 we successfully restored 400 hectares, but 1,860 hectares of degraded peatland still remain, emitting 55,400 tCO_2e per annum.

As a result, in 2021/22 we joined the South West Peatland Partnership – including South West Water, Dartmoor National Park, Natural England, Environment Agency and farming representatives – in a successful bid to the UK Government's Nature for Climate Fund, which will enable the restoration of a further 809 hectares by 2025. Within this phase of work, the Duchy will contribute £700,000 as matched funding to the Partnership. As much of the restoration will take place on common land, the interests of the commoners are a key part of the work.

The first restoration site being delivered with this funding is on the former Prison Farm, a 157-hectare Duchy-tenanted sheep and cattle farm on the high moor near Princetown. The restoration works involve blocking drainage ditches with peat bunds, peat and wooden blocks. Two-thirds of the area has now been completed, with the remainder to be done by the end of autumn 2022. The restoration area is actively farmed and is under a Higher Level Stewardship scheme. We are working closely with those who are interested in the restoration and ways in which future land management policy can support this work and the maintenance and management of restored sites.

Reaching for net zero carbon – our first report

We are delighted to be publishing our first **Net Zero Carbon Report** alongside this Integrated Report, highlighting why we believe it is important for the estate to become net zero carbon. The Report sets out our ambitions and progress to date, including case studies and details of the project's governance and risk management. There are case studies looking at some of the projects that are underway across the estate.

This also marks the first year that we are reporting on our formal Scope 1, 2 and 3 emissions, in line with the Greenhouse Gas Protocol issued by the World Resources Institute and World Business Council for Sustainable Development.

	Net zero carbon	Improved natural capital	Safe buildings and places
Target	Net zero for Scopes 1, 2 and 3 by early 2030s	Improve natural capital by 30% by 2030 and 50% by 2050	Zero reportable incidents or accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR)
Performance	Project launched. An update will be published in next year's Integrated Annual Report and subsequent Net Zero Carbon Reports	Project ongoing. Updates will be published in next year's Integrated Annual Report	Zero RIDDOR incidents or accidents to the end of March 2022
Commentary	Our Net Zero Carbon Report published in June 2022 outlines our net zero aspirations and the pathway we have set to achieve net zero by the early 2030s.	The Duchy is a signatory to Terra Carta, which includes these KPI targets. Our Natural Capital Project continues to assess and ground-truth the state of natural capital across the estate.	Another year without any RIDDOR reportable incidents or accidents.

PERFORMANCE AGAINST CRITICAL SUCCESS FACTOR

Reputation

Objectives

- To protect and enhance the Duchy's reputation
- To engage with and inform our key audiences
- To build strong partnerships with our tenants and communities.

Staff secondment

Since March 2021 the Duchy's Head of Planning, Nick Pollock, has brought his insight into how the Church of England can play a vital role in delivering sustainable, community-focused development through his secondment with the Archbishops' Commission on Housing, Church and Community, set up to implement recommendations in the Archbishops' Commission report *Coming Home: Tackling the Housing Crisis Together.*

Nick's role was to lead the Housing and Communities Executive team, and he has been key to influencing stakeholders including the Church Commissioners to focus on using their land to create community-oriented, mixed-use, walkable neighbourhoods and to deliver more affordable housing.

Nick's secondment culminated in a visit by Archbishop Justin Welby to Nansledan, the community development pioneered by HRH The Prince of Wales on Duchy of Cornwall land at Newquay in Cornwall, to look at examples of best practice in housing. Nick has since joined the Advisory Board to the Archbishops' Commission on Housing, Church and Community.

Future planning: the next financial year

Having completed our sixth annual tenants survey during 2021/22, over the coming year we need to focus on the drivers that will make a real difference to our tenants so that satisfaction scores do not stagnate or, worse, decline. Responses to the latest survey, of agricultural tenants, suggest that this is as much about communication and engagement as it is about investment. The recent appointment of a Future Farming Team Leader and a Communications and Education Officer within that team will help our engagement with farm tenants in particular.

Staff recruitment within the land agency and building surveying teams will free up time amongst existing staff so that they can focus on the all-important aspect of tenant engagement as the farming sector faces the challenges of subsidy change and addressing carbon emissions.

We are pleased to be publishing, in June 2022, our first Net Zero Carbon Report. This sets out why we think it is important for the estate to reach net zero by the early 2030s and puts this in the context of work done to date and the challenges our supply chain faces.

Engagement

Working with local communities and organisations is an essential part of the job for many Duchy staff.

In Cornwall the Duchy owns the foreshore and much of the riverbed of the River Gannel, which feeds onto Crantock Beach, where the topography creates unusually risky riptides and channels. The Crantock Beach Safety Group, of which the Duchy is a member, held a public forum in early 2022 to inform local hospitality and tourism business owners of the risks posed by the beach. Through our work with the Parish Council, Royal National Lifeboat Institution, National Trust, University of Plymouth and South West Water, it is hoped a more informed public will be safer on the beach.

In Herefordshire we are working towards establishing a landscape-scale partnership with neighbouring landowners and a wide range of stakeholders including our tenants, the local rivers trust, Forestry England, Natural England and others. This engagement and collaboration is key to landscape-scale habitat enhancement, improving water quality, and deer and squirrel control.

During the year a group of Duchy land agents and natural capital advisers visited the Sennybridge Training Area in the Brecon Beacons for a joint discussion on natural capital and net zero carbon with the Ministry of Defence estates management team.

Staff engagement with local communities and sector organisations goes far beyond the basics of estate management and property ownership and is described in detail in the section on Governance, engagement and consultation on page 40.

Sennybridge training area

Keeping in touch with tenants – the tenants' intranet and newsletters


Newsletter
Issue 2 March 2021

DUCHY *of* CORNWALL

Natural Capital

Soil – Agriculture's most precious raw material!

Healthy soil has the potential to boost farm profits and is of course essential for healthy stock and high yielding crops. When things go wrong, it can also lead to tremendous pollution issues affecting the quality of water courses and biodiversity.

We are also now beginning to appreciate the critical role that soil management plays in conserving soil carbon, vital in its own right for productive agriculture but also a resource of enormous importance to society, in our efforts to control the impacts of climate change.

Optimising soil management is no easy feat and needs the soil structure, chemistry, organic matter and soil biology to be right.

It is also an area of significant research and new understanding. Because of the impact that good (and bad) soil management has on the condition of other natural capitals and its potentially enormous contribution to carbon capture, we have joined forces with the Farm Carbon Toolkit, to help tenants with bespoke testing and advice on soil health and improving carbon performance.

Our two dedicated advisors, Hannah and Abi, are working their way around the Duchy's farms to offer their advice and support to help you identify some of the key practices that can help build soil health and improve farm performance.

Mycorrhizal fungi – The key to a healthy soil
Photo: Abi Saunders

KISS THE GROUND

If you can find the time before the weather finally improves and spring takes off, we would recommend having a look at the film, 'Kiss the Ground' (www.kissthegroundmovie.com also available on Netflix
It is interesting food for thought!

Since 2007 the Duchy has provided a wealth of guidance and links aimed primarily at farming tenants through a tenants' intranet. We also issue an e-newsletter each month with a diverse range of topics. As an example, the March 2022 e-newsletter covered the impact of the war in Ukraine on food security and energy markets; the latest plans from Defra around animal health and welfare; with the launch of the report *British farming: A Blueprint for the Future* from the National Farmers' Union; and the National Audit Office's report on the UK's tree-planting targets.

We also now share periodic natural capital newsletters that explain the Duchy's Natural Capital Project and various aspects of natural capital management, including healthy soils, Defra's Sustainable Farming Initiative, the importance of biodiversity, species-rich hay meadows, and the creation of focus farms across the Duchy estate that will be used as exemplars for natural capital enhancement. The newsletters have also introduced our growing natural capital team of six: two natural capital advisers, two assistants and two specialist soil scientists seconded from the Farm Carbon Consultancy.

"We will inspire an entire generation who will be equipped to make the changes we so desperately need."

HRH The Prince of Wales addressing the UN Biodiversity Summit in 2020.

Key performance indicators

	Tenant satisfaction	Length of Farm Business Tenancies (FBTs)	Jobs created by urban extension projects	Community engagement on major developments
Target	Improving relationship with tenants (as evidenced by customer service questions and net promoter score from tenant surveys)	Let all equipped FBTs for periods of no less than 10 years	At least one job created per house sold	Engagement process for all projects
Performance	**29** Average net promoter score (2020/21: 27) **78%** customer service (2020/21: 80%) **68%** property satisfaction (2020/21: 72%)	**21 years** Average length of FBT on equipped holdings (2020/21: 21 years)	**1.1** people employed per dwelling built (Poundbury) (2020/21: 1.1) **0.3** people employed per dwelling built (Nansledan) (2020/21: 0.3)	Achieved
Commentary	Through our annual tenant surveys, we ask tenants how satisfied they are with our service and with their property. The average net promoter score has remained fairly constant since surveys began six years ago. Customer service has fallen from 80%. Property satisfaction has fallen more noticeably, from 72%, despite record investment and repairs spend.	Since this KPI was launched in 2016, all new agreements have been for at least 10 years, with the average length being 20 years. This year there were two new farm lettings, both for 25 years, and one five-year extension to an existing 21-year FBT.	Employment at Poundbury will rise on the forthcoming reoccupation of a large factory unit and construction of additional workshops. The Nansledan employment ratio will increase as the development (which is eight years into an expected 34-year project) matures and commercial property phases are delivered. In addition to the long-term employment being established, each site provides employment for more than 200 construction workers and professional staff.	There were only two ongoing relevant developments this year, at Nansledan, Cornwall, and South East Faversham, Kent.

PERFORMANCE AGAINST CRITICAL SUCCESS FACTOR

Governance

Objectives

- To be practical and trusted in our decision-making
- To ensure effective governance and management structures at all levels
- To ensure staff have a clear understanding of the Duchy's vision and how they contribute to it.

Future planning: the next financial year

Our new Receiver General, Attorney General and Chair of the Commercial Property and Development Committee are bringing a fresh viewpoint to governance across the Duchy, with reviews of Committee terms of reference, reporting routes and insights into best practice. New structures within the rural portfolio management team and new recruitment will support the existing teams.

Key performance indicator

Staff are engaged with the Duchy's vision and critical success factors

Target

Carry out a staff survey by December 2022 and baseline new KPIs on this

New leadership

Edward Harley chairs the Finance & Audit Committee. He believes the operating framework of Council and strong committees provide a sound basis for effective governance.

Since joining Council, Edward says he has been particularly impressed by the attention to detail, the spread of the Duchy's in-house expertise, the depth of HRH's involvement across the Duchy, and the commitment to sustainability issues.

On being appointed Chair of the Commercial & Development Committee, Alistair Elliott said:

"It has been an enormous privilege for me to take on the role of Chair, not least taking over from John Stephen, who had clearly set things up very well. The additional responsibility of having a seat on The Prince's Council further underlines the strategic importance of this portfolio within the Duchy.

"I am beginning to get a feel for both the structure and governance and it is of great comfort that things are set fair, and well managed with a professional approach to management and decision-making. What is also evident is a strong desire to effect change in a fast-moving world, whilst acknowledging the fundamental purpose of the Duchy.

"There is more to do in improving communication, internally and externally, with the team, tenants and public at large. In addition, the rapidly moving aspects of each element of ESG are front of mind and much is work in progress. However, there is no doubting the importance of getting this right in shaping the future of the estate, both to ensure relevance and to improve performance."

Sharing the Duchy vision

By sharing our vision with our stakeholders, including our employees, tenants and the wider public, we want to help give a greater understanding of our values and 'what makes us tick'. We developed a Duchy Vision one-page document, setting out our vision – *Sustainable Stewardship – for Communities, Enterprise and Nature* – our values and the five factors critical to our success. This gives the whole Duchy team clarity of purpose and, importantly, a sense of how their individual efforts contribute to achieving our overall vision.

Our staff team led the development of the Duchy values and everyone had the opportunity to contribute. The whole document was then designed so that every facet of the Duchy is recognisable, whether you work in the Hereford or the Harbour office.

"I confess that discovering and creating Duchy values did not initially sound attractive. However, I found it surprisingly empowering. It was affirming to work with colleagues towards a common goal and reassuring that the resulting values reflected the conversations and thoughts during the process."

Charlotte Dixon, Staff Communication Champions Co-Chair

Digital working and internal communications

We are currently working on a three-year digital working project, from upgrading key IT infrastructure and establishing structures, policies and protocols for managing digital records to implementing greater pan-Duchy working. A group of representatives from across the Duchy have volunteered to act as digital champions, providing a vital communication channel between the project team and colleagues across the organisation.

As part of phase one we launched the new intranet, known internally as The Wall, at the end of January 2022. The main aims for the intranet are to act as an information hub/ portal for staff and to bring staff together and provide a sense of community despite disparate geographical locations.

Digital champions were involved in the development of the intranet to best meet the needs of staff. We used a functional approach in the design to promote collaboration and cross-departmental working, reduce duplication of key information and enable access to information based on job role rather than physical location. This will support effective governance and management structures at all levels.

Using The Wall as a key place for sharing information ensures that we can enhance transparency so that staff have a clear understanding of the Duchy vision and how they contribute to it. The improved usability of the software and the visual interface has meant that staff across the organisation have already embraced The Wall. News articles are regularly contributed from across the Duchy and several teams have also started developing and expanding content. The Wall is a key tool for us to recognise and celebrate all our staff and their contribution to the Duchy's vision.

Oversight of strategic risk and governance structures

In March 2022 the Proper Officers and heads of each Council Committee met with senior Duchy staff to review strategic risk and governance. Building on similar work in previous years, the group considered the Duchy's strategic risks and the high risks from the operational risk register. Useful resources for this work included the Integrated Reporting <IR> Framework, the Wates Principles, the Task Force on Climate-related Financial Disclosures and the Taskforce on Nature-related Financial Disclosures.

The group carried out risk horizon scanning with reference to a variety of external intelligence, including the UK National Risk Register, The Global Risks Report 2022 from the World Economic Foundation and the UN Sustainable Development Goals Report 2021, as well as the work of similar organisations such as The Crown Estate, National Trust and Duchy of Lancaster.

You can read more about the group's conclusions in the "Factors influencing value creation and principal risks" section of this report on page 16 and the strategic, operational and financial risks on pages 19–20.

A note on ancient titles

The Duchy is one of a kind, and although some roles within the Duchy have ancient titles, they carry with them very 21st century responsibilities that are roughly equivalent to senior governance leadership roles in other organisations. The four Proper Officers, as they are known, are:

- The Lord Warden of the Stannaries – the most senior position on Council after the Duke of Cornwall, and deputy chair.
- The Receiver General – non-executive Chair of the Finance & Audit Committee, who has oversight of financial affairs.
- The Attorney General to HRH The Prince of Wales – the principal legal officer, who provides legal advice and support, and in whose name legal proceedings are taken and defended.
- The Secretary and Keeper of the Records – equivalent to the chief executive in other organisations, holding executive responsibility for the management of the Duchy.

Developing governance

"I am delighted to be leading a review of the Duchy's board-level governance processes and policies. The Attorney General and the other Proper Officers may have ancient titles, but we are ensuring that the structure and governance of the Duchy is fit for the 21st century and beyond.

"Under the leadership of The Duke of Cornwall, our aim is to ensure thoughtful, well-informed and robust decision-making in a modern structure which encourages new ideas, fresh thinking and rigorous debate and draws on specialist expertise when needed – all with the ultimate aim of reaching the best decisions to achieve the Duchy's strategic objectives. As the world continues to change, we will have the flexibility to adapt with it.

"In everything that we do, The Prince's Council and the Duchy's committees are passionate about the Duchy's work across the estate, working with our stakeholders and communities, improving the environment and maintaining and enhancing the estate for future generations."

Sharif Shivji QC, Attorney General to HRH The Prince of Wales

Direction, oversight and transparency

The Dukes of Cornwall have traditionally managed their own estates, and today the current Duke of Cornwall carries forward this custom by actively leading the Duchy and chairing The Prince's Council for 53 years.

The Council provides invaluable leadership that is key to the performance of the Duchy estate. The Council delegates responsibility to its respective Committees while maintaining oversight through member participation in these Committees.

HRH's 70th Birthday Commemorative Avenue, Somerset

Governance at a glance

The Prince's Council

HM Treasury

Finance & Audit Committee	*Commercial & Development Committee*	*Rural Committee*	*Remuneration Committee*	*Executive Committee*

Transparency

The Duchies of Lancaster and Cornwall (Accounts) Act 1838 gave HM Treasury a role in ensuring that actions taken by any Duke when managing the Duchy cannot compromise the long-term value of the estate. For this reason HM Treasury must, for example, approve all property transactions with a value of £500,000 or more.

The management of the estate is subject to the supervision of The Prince's Council and to an annual independent external audit. In addition the Duchy's annual accounts are laid before the House of Commons and the House of Lords so that Parliament can be satisfied that HM Treasury is fulfilling its statutory responsibilities.

Members of The Prince's Council were involved in the development of this Integrated Annual Report and consider that it complies with the International Integrated Reporting Council (IIRC) Framework for integrated reporting. The Prince's Council acknowledges its overall responsibility for the accuracy and integrity of the Report's contents.

Operating framework

The Duchy estate was established under the Great Charter of 1337 by Edward III for his son and heir, Prince Edward. Subsequent Charters bequeathed additional land. The land, property and other assets of the Duchy, and the proceeds of any disposals of assets, are subject to the terms of the original Charters and the Duchy of Cornwall Management Acts. These govern the use of the Duchy's assets for the benefit of the present and future Dukes of Cornwall. The Prince of Wales, as The Duke of Cornwall, is entitled to the annual net revenue surplus of the Duchy. He is not entitled to the proceeds or profits from the sale of capital assets, which are retained in the Duchy to provide income for future beneficiaries.

Governance roles and activities

Many members of The Prince's Council sit as non-executives on one or more of the supporting Committees, providing two-way dialogue, guidance and reporting.

Curlew, Dartmoor

The Prince's Council

Role and remit

- Chaired by The Prince of Wales
- Provides advice to His Royal Highness regarding the strategy of the Duchy
- Except for the membership of the Secretary and Keeper of the Records, the Council is a non-executive body.

Principal resources and relationships overseen

- The Prince's Council has always taken a holistic view of the resources and relationships the Duchy estate draws from and impacts upon. In its discussions and recommendations the Council takes care to balance all resources and relationships.

Matters reviewed

The Council met in June and December. It received reports from all Committees and reviewed bona vacantia and capital transactions.

Specific matters included the impact of the pandemic, farming and new farm lettings, the Natural Capital Project and the Zero Carbon Strategy, commercial property, development projects and financial forecasts. The Council considered various legal issues.

Finance & Audit Committee

Role and remit

- Chaired by Edward Harley, Receiver General
- Advises on the Duchy's financial strategy and liaises with the external auditor
- The Committee reviews financial performance, ensuring that an appropriate balance is struck between revenue and capital growth, that any variations between forecast and budget are understood and are appropriate, and that risks are well managed
- Met four times.

Principal resources and relationships overseen

- Financial
- Manufactured.

Matters reviewed

The performance of the Duchy's financial investments, including portfolio weighting and returns, fund manager performance and the move into a new climate impact fund; forecasts for the current year, budgets for 2022/23 and an updated five-year capital and revenue forecast; plans for investment in the Net Zero Carbon and Natural Capital Projects; proposals for the sale of a major commercial property and reinvestment of the funds generated; annual audit plan and conclusions; all major development sites; the Duchy of Cornwall Staff Pension Scheme; the Committee's terms of reference and governance performance; the Integrated Annual Report.

Rural Committee

Role and remit

- Chaired by Sir Nicholas Bacon, Lord Warden of the Stannaries
- Advises on the rural economy
- Much of the value provided by the Rural Committee flows from the time and expert guidance given by members outside of meetings. Members carry out an extensive range of visits to the Duchy district offices, estates and farm tenants
- Met three times.

Principal resources and relationships overseen

- Natural
- Community
- Financial
- Manufactured.

Matters reviewed

How the rural portfolio should respond to strategic planning, including a review of all asset classes and geographic regions; progress with the Natural Capital Project and the emerging plan for net zero carbon; engagement with the next generation of tenants; major farm relettings; rural portfolio management accounts, forecasts and budgets; people, structures and recruitment within the rural portfolio management team; Committee terms of reference and membership.

Commercial & Development Committee

Role and remit

- Chaired by Alistair Elliott
- Advises on the commercial property portfolio, the Kennington residential portfolio and development sites
- Met four times.

Principal resources and relationships overseen

- Manufactured
- Community.

Matters reviewed

The major development site at Nansledan and development opportunities in Kent, Somerset and London; the urban commercial portfolio, including a major sale and the reinvestment of the funds generated; an updated strategy for the Kennington Estate; the future of Dartmoor Prison; how the portfolio will respond to the Duchy's net zero carbon ambitions; Committee terms of reference.

Executive Committee

Role and remit

- Chaired by Alastair Martin, Secretary and Keeper of the Records
- Implements strategy and manages all operational activities
- Met four times, plus topic-specific workshops.

Principal resources and relationships overseen

- People
- Intellectual
- Community
- Financial.

Matters reviewed

This year the Executive Committee concluded a series of workshops to review the Duchy's integrated thinking and reporting, vision, critical success factors, strategic objectives and key performance indicators. Groups of staff worked on a values project. You can read more about this work on pages 14 and 23.

At regular meetings the Committee considers the progress being made with our critical success factors. A health and safety report is also received at each meeting. Other regular matters include financial budgets and forecasts, legal updates and staff issues.

The Executive Committee reviewed the latest tenant survey, which had sought views from our rural commercial tenants.

In addition the climate crisis and our Net Zero Carbon Programme were a particular focus again this year. We reviewed our office resilience and video conferencing infrastructure. We now have an agile working policy, and have begun a digital working project. Following the lifting of a recruitment freeze, in place since the first lockdown in 2020, the Executive Committee carried out planning and oversight of recruitment for vacant and new positions.

Governance, engagement and consultation

We believe integrated thinking is fundamental to sustainable development and, as such, it has always been part of decision-making and estate management. Our ambition is to systematically apply integrated thinking across our activities to optimise financial results and transparency, add value to communities and the natural environment, and enhance the estate's living legacy.

Recruitment of Council and Committee members

The Prince's Council and its Committees provide the Duchy with invaluable professional experience, drawing on recognised leaders in the various sectors in which the Duchy operates.

James Leigh-Pemberton joined The Prince's Council in December 1999 and became Receiver General in 2000. James retired from Council in December 2021, after 21 years in post, the longest-serving Receiver General in HRH The Prince of Wales's period as Duke. Appointed in May 2012, John Stephen chaired the Commercial & Development Committee and retired from Council in May 2021.

We thank James and John for their tremendous service to the Duchy during such economically turbulent times.

James is succeeded as Receiver General by Edward Harley, who joined Council in 2019. Edward was previously a partner at Cazenove Capita, most recently advising charities on investment strategy. He is Her Majesty's Lord-Lieutenant of Herefordshire, and knows the Duchy's estates in the area well.

Alistair Elliott, who became an adviser to Council and member of the Commercial & Development Committee in September 2020, has become Chair of the Committee and been appointed to Council. Alistair is Senior Partner and Group Chairman at Knight Frank, an international estate agency, residential and commercial property consultancy.

James Willcocks and Christina Williams, who both joined as advisers to Council in November 2020 as members of the Rural Committee, were appointed to Council in May 2021.

Engagement and consultation

We believe that our strategic priorities and day-to-day operations are strongest when we engage with a wide range of stakeholders. Our relationships with, and the impact of our operations on, our stakeholders are therefore very important to us, from the conversations a rural land agent has with a long-standing farm tenant to the prompt payment of a local builder.

Our tenants

We engage with our tenants and tenant organisations in myriad ways. Our in-house staff meet regularly with tenants and we undertake annual tenant surveys, carrying out our second survey of agricultural tenants in January 2022. As in previous years, nearly 90% of them feel we have "friendly and approachable staff", a testament to the personal care all our staff provide. When we asked what more we could do to support our farm tenants, the most common requests were investment in farm infrastructure, regular visits and the provision of information on current Duchy projects. In response, we have set a record repairs budget and appointed a Communications and Education Officer for the rural estate.

There is a dedicated manager for every property, with regional offices across the estate, meaning that over 90% of our properties are within 30 miles of their local office, and many much closer. New residential tenants receive detailed home information packs, and there is also a tenants' intranet for farmers and a regular newsletter. All tenants also receive an annual financial statement of account.

Duchy staff meet with the Tenant Farmers Association, the National Farmers Union and the Country Land and Business Association (CLA) at least annually, and are members of various working groups, such as the CLA Institutional Landowners Group. We work with various tenants' groups for mutual gain, such as the provision of rural broadband in Herefordshire and the Prince's Farm Resilience Programme.

Staff

The Duchy has a small number of staff with a relatively flat structure. Departmental team meetings are a regular feature, with meetings in each office attended by Executive Committee members.

All staff have an annual appraisal. In normal times there is an annual Duchy Day, when staff from all offices gather in one place to share business updates and engage in social activities. A Staff Group with representatives from each office contributes to the development of HR initiatives and staff social events.

There is a comprehensive training programme available, mandatory where required, with topics ranging from health and safety to management development. We regularly have staff on training contracts, helping them become, for example, surveyors or accountants.

For many years, our video conferencing system has linked all offices. Staff working from home are able to connect to this during the year, keeping engagement going and facilitating remote working.

Other estates

We are in regular contact with other similar estates, including the Crown Estate, Duchy of Lancaster, the Royal Estates Information Exchange, the National Trust and the Church Commissioners.

Our communities

Staff engagement with local communities and sector organisations goes far beyond the basics of estate management and property ownership. For example, Matthew Morris, Land Steward Eastern District, is a trustee for the Farming and Wildlife Advisory Group (FWAG) South West, and sits on various boards with the CLA. He has joined Baroness Kate Rock's Defra Tenancy Working Group, looking at how environmental funding for farmers remains accessible to the tenanted sector. In September 2021, along with other team members, Matthew hosted a group led by Elizabeth Buchanan, a non-executive board member at Defra and trustee of The Prince's Countryside Fund. The group, including representatives from Waitrose, McDonald's and Saputo, shared approaches to natural capital and net zero carbon in British farming.

Our Head Forester, Geraint Richards, is a board member of The Queen's Green Canopy (Patron HRH The Prince of Wales). In May 2021, he was elected Vice President of the Institute of Chartered Foresters, the professional body for Forestry and Arboriculture in the UK. He sits on the Plant Health Alliance board, promoting plant health and biosecurity across the plant-based sectors in the UK. He chairs Action Oak, which has a specific focus on preserving the health of our nation's oaks and involves a wide variety of partners, and is on the board of the Canadian Institute of Forestry, representing the International Section. He is a trustee of Woodland Heritage (Patron HRH), which promotes the growing and use of British timber and developing the skills needed to do this.

Alastair Martin, Secretary and Keeper of the Records, has been invited to speak at a number of conferences during the year, particularly on sustainability issues, including two regional conferences of the Central Association of Agricultural Valuers and the Estate Business Group. Alastair is an independent trustee for the University College of Estate Management, Reading, and a member of the Duchy of Lancaster Rural Committee.

Suppliers

In a typical year the Duchy may trade with over 1,500 suppliers. A key part of the Duchy team's responsibilities is engagement with suppliers, large and small, including selecting new suppliers through competitive tendering and working with long-established partners.

Two-thirds of spend is with just 50 of these suppliers, consisting of construction, building and property maintenance companies, professional services companies (lawyers, accountants, IT professionals, architects) and county councils. We have many small local contractors who are vital in supporting us to deliver our commitments. We understand the importance of our spend with these small businesses and prioritise them for payment.

We require supplier accreditation in the certification of materials, such as Forestry Stewardship Council timber, peat-free growing compounds at the Duchy Nursery, renewable, recyclable and organic produce for our holiday cottages, and renewable power for all of our offices and in-hand properties.

The Nansledan development makes use of a range of natural materials, locally sourced where possible. Roofing slate comes from Trevillett Quarry near Tintagel on the North Cornwall coast, from Penrhyn Quarry in Wales and Burlington Stone in Cumbria. Granite for kerbstones and cobbles is from De Lank Quarry on Bodmin Moor, rustic stone for housing and Cornish hedges is from Callywith Quarry at Bodmin, and cut slate for street signage and sills comes from Delabole Slate Quarry, also in North Cornwall.

As part of our net zero ambitions, a programme of supplier engagement is being designed. This will include supplier pathways to net zero as well as other aspects of supplier conduct.

The Duke of Cambridge

HRH The Duke of Cambridge, along with some of his personal advisers, has continued to attend many of the non-executive Committees to learn more about the governance of the Duchy and the various initiatives that the Committees oversee, and to meet new members.

The Duke of Cornwall

The Duke of Cornwall actively leads the Duchy and chairs The Prince's Council, which meets twice a year. In addition, the Secretary regularly meets with His Royal Highness and provides a monthly report of topical matters. Minutes and reports from all Committees (most of which meet quarterly) are sent to The Duke of Cornwall. His Royal Highness usually hosts an annual meeting of around 30 Duchy staff at Highgrove to discuss estate matters and policy direction. The Secretary also meets periodically with The Duke of Cambridge, who receives separate reports.

Each summer there is a visit to the South West for The Duke and Duchess of Cornwall. In July 2021 the trip included meetings at the Duchy Nursery in Lostwithiel, a review of the Duchy's development at Nansledan, and engagements on the Isles of Scilly, including both public and Duchy meetings on St Mary's and Bryher. Throughout the year, His Royal Highness visits the major development sites at Poundbury and Nansledan, conducts a number of estate visits and hosts tenant meetings. You can see examples of some of these activities in 'Our year' on page 8.

The Prince's Council and Committees

Members of The Prince's Council bring invaluable expertise and experience to the Duchy as recognised leaders in their fields. Their careers span agriculture, commercial property, estate management, investment management, law and finance. The Duke of Cornwall personally appoints members of The Prince's Council.

	Dates served	*Membership*					
		Council	*Finance & Audit*	*Rural*	*Commercial & Development*	*Remuneration*	*Executive*
The Prince's Council							
Chairman: His Royal Highness The Prince of Wales		✓					
Lord Warden of the Stannaries – Sir Nicholas Bacon	June 2006–Present	✓	✓	✓	✓	✓	
Receiver General – The Hon Sir James Leigh-Pemberton	December 1999–December 2021	✓	✓			✓	
Receiver General – Edward Harley	December 2019 (to Council) December 2021–Present (RG)	✓	✓			✓	
Attorney General to HRH The Prince of Wales – Sharif Shivji QC	December 2020–Present	✓					
Secretary and Keeper of the Records – Alastair Martin	May 2012–Present	✓	✓	✓	✓	✓	✓
James Williams	November 2009–Present	✓	✓	✓		✓	
John Stephen	May 2012–May 2021	✓			✓		
Ian Marchant	May 2012–Present	✓	✓				
Clive Alderton, Principal Private Secretary to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall	October 2015–Present	✓	✓				
Jonathan Ruffer	December 2019–Present	✓	✓				
Alistair Elliott	September 2020 (as adviser) May 2021 (to Council)–Present	✓			✓		
James Willcocks	November 2020 (as adviser) May 2021 (to Council)–Present	✓		✓			
Christina Williams	November 2020 (as adviser) May 2021 (to Council)–Present	✓		✓			
Advisers to the Council							
David Fursdon	April 2008–Present			✓			
Paul Morrell	February 2012–Present				✓		
Sir Michael Hintze	September 2014–Present		✓				
Henry Richards	November 2014–Present				✓		
Kit Martin	February 2015–Present				✓		
The Marquess of Downshire	August 2017–Present			✓			
Nigel Fox	September 2017–Present				✓		
Nathan Thompson	February 2019–Present				✓		
Catherine James, Treasurer to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall	June 2019–Present		✓				
Duchy Staff							
Linda Bryant, Property Services Director							✓
Marie Cook, Operations and HR Director						✓	✓
Chris Gregory, Land Steward, Western District and the Isles of Scilly				✓			✓
Matthew Morris, Land Steward, Eastern District				✓			✓
Ben Murphy, Estate Director					✓		✓
Andrew Phillips, Rural Director of Finance				✓			✓
Nick Pollock, Head of Planning					✓		✓
Keith Willis, Finance Director			✓	✓	✓	✓	✓

The Prince's Council

Sir Nicholas Bacon

Lord Warden of the Stannaries, Sir Nicholas is a Norfolk landowner with experience in the management of plant nurseries, a varied commercial portfolio of lettings and a long understanding of agricultural tenants and their farming businesses. Sir Nicholas was previously President of the Royal Horticultural Society.

Edward Harley

Receiver General, Edward worked for many years and was a Partner at Cazenove Capital, most recently advising charities on investment strategy. He is a past President of the Historic Houses Association and a trustee of several landed estates, including Burghley. He is also Chairman of the Acceptance in Lieu Panel and a member of the Court of the Goldsmiths' Company. He is based in Herefordshire, where he is a patron of several organisations and a Lay Canon Emeritus of Hereford Cathedral. He is Her Majesty's Lord-Lieutenant of Herefordshire.

Sharif Shivji QC

Attorney General to HRH The Prince of Wales, Sharif is a barrister in private practice at 4 Stone Buildings in Lincoln's Inn and was appointed Queen's Counsel in 2020. Prior to his career at the Bar, Sharif worked in investment banking. Sharif's practice involves high-profile commercial disputes (often with an international element) and company, insolvency, financial services and banking law and regulation. Sharif is involved in many different aspects of the legal profession. He is the current Treasurer of the free legal advice and representation charity Advocate, and a Director of the Bar's professional indemnity insurer, the Bar Mutual Indemnity Fund.

Alastair Martin

As Secretary and Keeper of the Records, Alastair is responsible for the running of the Duchy of Cornwall. Alastair qualified as a land agent and Chartered Surveyor and was in private practice for some 30 years before joining the Duchy as Secretary in 2013. Alastair has worked across most property disciplines, including valuation, development, agency, dispute resolution and management, leading to him specialising in the management of mixed-property portfolios across much of England and Wales. During his private practice career Alastair also took an active role in leading and developing his practice and he was, for some years, involved in the Royal Institution of Chartered Surveyors (RICS) occupying the roles of the President of the Rural Division, Chairman of the Facilities and Forums Board, and Chairman of the Strategy and Resources Board. He has a particular interest in embedding sustainability and resilience into the shaping and management of property investment portfolios and holds various trustee and non-executive appointments, including being a member of the Duchy of Lancaster's Rural Committee.

James Williams

James now resides in his home county of Cornwall, following an extensive career in international investment management, working in many parts of the world. His interests include education, the arts and agriculture in Cornwall and beyond. He is actively involved with several charities, having been a founder in 2002 of the Cornwall Community Foundation, which works extensively with grassroots voluntary organisations dealing with deprivation and disadvantage. He serves as Vice Lord-Lieutenant of Cornwall and brings insight to the Duchy about matters in Cornwall and the South West.

Ian Marchant

Ian has a business background in utilities and renewable energy through his previous leadership of Scottish and Southern Energy and his current chairmanship of both Thames Water and Logan Energy, a hydrogen engineering company. He has also served on the boards of organisations such as John Wood plc, Aggreko plc and the Maggie's Cancer Centres charity. He is a qualified accountant and has expertise in audit, capital allocation and risk management. He is interested in wildlife conservation and is the Honorary President of the Royal Zoological Society of Scotland. He set up the 2020 Climate Group in Scotland, inspired by his interest in climate change mitigation and adaptation and the use of natural capital accounting. He also advises and invests in early-stage companies, principally in the clean tech and sustainability industries.

Clive Alderton

Principal Private Secretary to Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall, Clive joined The Royal Household in 2015. Clive brings experience of senior-level public administration and accountability, having previously served in several diplomatic posts overseas, most recently as Her Majesty's Ambassador to the Kingdom of Morocco. Through his role today he provides a direct link between the Duchy and The Prince of Wales's Household.

Jonathan Ruffer

Jonathan trained as a trust barrister (Bencher of the Middle Temple) and has spent most of his working life as an investment manager in the City, where in 1990 he set up Ruffer Investment Management (now a partnership: Ruffer LLP). He has written extensively on investment and was the author of *The Big Shots*, a chronicle of Edwardian shooting parties. He has spent the last 10 years in charitable work in Bishop Auckland, County Durham and has been a Deputy Lieutenant of Durham since 2014. He is an International Trustee of the Prado Museum and the Hispanic Society of America.

Alistair Elliott

Alistair is a Chartered Surveyor and Fellow of the RICS. He spent all of his career at Knight Frank, where he started as a graduate in 1983, and he retired as Senior Partner and Group Chairman in the spring of 2022 after nine years in the role. Much of his professional experience centred on commercial property markets, especially offices, advising a broad range of occupiers and landlords. As Senior Partner, Alistair had responsibility for chairing the Group Executive Board and oversight of Knight Frank's interests in 50+ territories across the globe covering all aspects of real estate. Alistair has also recently been appointed a Non-Executive member of the Grosvenor Great Britain & Ireland board.

James Willcocks

James is a third-generation tenant dairy farmer and landowner from North Cornwall, with a passion for crossbreeding. He is a past chairman of the Tenant Farmers Association (South West) and is still an active committee member. Conservation and sustainable farming have always been part of his farming practice and he is currently involved in a project developing regenerative farming techniques locally.

Christina Williams

Christina is a Deputy Lieutenant of Devon. She manages the Molland Estate on the edge of Exmoor with land both tenanted and in hand. Her interests are in improving the natural capital of the land including wildlife and landscape beauty whilst maintaining a viable family business and a thriving local community. She sits on various advisory groups for the Exmoor National Park and is a trustee of the Exmoor Society. She also has a garden design business, has exhibited at the Chelsea Flower Show and runs the gardens at Coughton Court, Warwickshire.

Advisers to the Council

David Fursdon

David is a qualified rural surveyor and agricultural valuer with experience in planning, natural capital and landlord/tenant issues. He is Chairman of Dyson Farming Limited, which has farming, property management and renewable energy businesses, and a trustee on the National Trust Board, taking a lead on sustainable land use. He is a Commissioner of the ongoing Food, Farming and Countryside Commission and Chairman of the Institute for Agriculture and Horticulture, focused on developing skills. A former Country Land and Business Association (CLA) President and Commissioner of the Crown Estate (commercial property/marine/renewables) and English Heritage, David is a partner in a family estate management, property and tourism business, and is Lord-Lieutenant of Devon.

Paul Morrell

A Chartered Quantity Surveyor, Paul was Senior Partner and international Chairman of Davis Langdon (now part of AECOM), where his practice was principally in the cost management of commercial development, working with some of the country's best-known developers and pension funds. He subsequently became the Government's first Chief Construction Adviser, with a brief to champion a more coordinated approach to affordable, sustainable construction. Paul now practises as an independent consultant, with a focus on the organisation and governance of major projects.

Sir Michael Hintze

Sir Michael is the founder, Group Executive Chairman and Senior Investment Officer of CQS, a London-based asset management firm. Before establishing CQS in 1999, Michael held senior roles at CSFB and Goldman Sachs. In the charitable sector the Hintze Family Charitable Foundation has provided funding to over 200 charities. Michael is Senior Vice Patron of the Royal Navy and Royal Marines Charity, Special Friend of the aircraft carrier HMS Queen Elizabeth and Honorary Captain RNR, and a Patron of the Arts in the Vatican Museums. Through MH Premium Farms Michael has significant investments in the agricultural sector.

Henry Richards

Henry was Executive Chairman of Lands Improvement Holdings Limited (LIH) before standing down when it was sold in September 2015 and remains a consultant to the company. Before joining LIH, he was a Director of Savills, and he spent the first six years of his career with Jones Lang Wootton. Henry has 20 years' experience of managing and expanding a diverse rural property company, with particular focus on acquiring and promoting urban fringe and large brownfield sites for residential and commercial development. He has a detailed understanding of the planning system and managing multidisciplinary teams to create successful sustainable developments.

Kit Martin

Kit trained as an architect and is an Honorary Fellow of the Royal Institute of British Architects. He has spent a lifetime creating innovative solutions to conserve historic buildings at risk and promoting urban regeneration. He was Projects Consultant to The Prince's Regeneration Trust and a founding trustee of Save Europe's Heritage. Kit was awarded a CBE for services to conservation.

The Marquess of Downshire

Nick Downshires is a Chartered Accountant with a diploma in advanced farm management from the Royal Agricultural College, Cirencester. He has worked in corporate finance and as a finance director in the technology sector. He holds a number of non-executive directorships, including Chairman of Audit and Risk for the CLA and Treasurer of the Moorland Association. He is a council member and Chairman of the Rural Committee for the Duchy of Lancaster and a trustee and Chairman of Upland Research for the Game & Wildlife Conservation Trust; he also acts as trustee to several landed estates and runs an estate in North Yorkshire.

Nigel Fox

Nigel is a Chartered Surveyor, and established Capital Real Estate Partners in 2010, having previously spent 20 years at Jones Lang LaSalle. Nigel's expertise is in advising a range of clients (landowners, institutions, property companies, private investors and occupiers) on commercial properties, with particular experience in investment and development projects, often of scale and in Central London, but also nationally in the UK. For the Duchy estate, Nigel and his team are responsible for the asset management of the commercial property portfolio.

Nathan Thompson

Nathan is a Chartered Surveyor and has over 30 years' experience in commercial property and asset management. Formerly Managing Director of Forth Ports' property arm in Edinburgh, he was appointed Chief Executive Officer, Keeper of Records and Surveyor General of the Duchy of Lancaster in 2013. In his current role Nathan is responsible for the day-to-day management and development of a diverse portfolio of historic land and property assets across England and Wales. Prior to joining Forth Ports, Nathan was a member of the executive at MEPC plc, where he ran the London fund, and a Director of JER Partners.

Catherine James

Catherine was appointed Treasurer to the Household of Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall in June 2019. Prior to her appointment Catherine's career included senior finance positions in business and consulting.

Other disclosures

The Duke of Cornwall's Benevolent Fund

In the Benevolent Fund's last financial year, it made grants and commitments of c.£296,000 (2021: c.£303,000) to a variety of charities, primarily operating in Cornwall. In accordance with the wishes of The Prince of Wales, grants were made to educational and agricultural charities, together with the relief of poverty, restoration of churches and environmental charities, as well as to a variety of other charitable causes.

Charitable donations

Charitable donations made by the Duchy of Cornwall estate amounted to £99,000 (2021: £60,000), made to causes in the following areas:

- agriculture – £19,000 (2021: £15,000);
- environment – £35,000 (2021: £14,000); and
- community – £45,000 (2021: £31,000).

Significant individual donations included:

- £25,000 (2021: £25,000) to Islands' Partnership, a body dedicated to the promotion of the destination of the Isles of Scilly; and
- £15,000 (2021: £15,000) to the Dartmoor Hill Farm Project.

Going concern

After making due enquiries and undertaking the normal forecasting procedures, including a five-year financial and strategic plan, the Proper Officers consider that the Duchy has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the financial statements.

Employment policies

The Duchy of Cornwall's employment policies and practices are constantly updated and developed to support the Duchy's business plans, and to continue to strengthen its skilled workforce.

The Duchy estate is committed to open discussion and direct consultation with all employees as part of its Employee Relations Policy. Communication channels include an intranet, staff Duchy Day and a staff consultative committee.

All staff undertake an annual appraisal process to align their performance against objectives, linking back into the overall business plans of the Duchy estate. As part of this process, staff have the opportunity to agree to a Personal Development Plan prepared and discussed with their manager.

Human rights and anti-corruption policies

The Duchy has in place a wide range of policies to ensure a respect for human rights and to promote anti-corruption. These include a Modern Slavery Policy, Bribery Policy, Equality and Diversity Policy, Harassment and Bullying Policy, Inclusion Policy, Grievance Policy, Induction and Probation Policy, and a Whistleblowing Policy. These policies ensure that prospective employees are legally entitled to work in the UK and are freely employed, and, together with employment contracts, protect all employees from abuse and coercion. They provide clear routes and processes for staff to raise concerns and to be protected while doing so.

We have reviewed our standard letting, tendering and contractual agreements with the guidance of our external legal advisers. They contain the necessary provisions relating to compliance with the Modern Slavery Act for tenants, developers and contractors. We continue the process of reviewing our standard tendering procedures and contract documentation against the Modern Slavery Act and best practice.

All policies are developed, overseen, and enforced by the Executive Committee. Policies undergo cyclical periodic review. All staff have been made aware of and have access to these policies.

No incidents of human rights abuses, corruption or bribery have come to light during the reporting year.

Statement of Proper Officers' responsibilities in the preparation of the accounts

The Lord Warden of the Stannaries, the Receiver General, the Attorney General to HRH The Prince of Wales and the Secretary and Keeper of the Records (the "Proper Officers") are responsible for preparing the Integrated Annual Report and the accounts in accordance with applicable law and regulation.

The Accounts Direction given by HM Treasury dated 7th June 2022 (the "Accounts Direction") requires the Proper Officers to prepare accounts for each financial year. Under the Accounts Directions the Proper Officers have prepared the Group and Duchy of Cornwall accounts in accordance with UK-adopted international accounting standards.

Under the Accounts Direction, Proper Officers must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Duchy of Cornwall and of the surplus or deficit of the Group for that period. In preparing the accounts, the Proper Officers are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Duchy of Cornwall will continue in business.

The Proper Officers are responsible for safeguarding the assets of the Group and Duchy of Cornwall and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Proper Officers are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Duchy of Cornwall's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Duchy of Cornwall and enable them to ensure that the accounts comply with the Accounts Direction.

The Proper Officers are responsible for the maintenance and integrity of the Duchy of Cornwall's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Proper Officers' confirmations

In the case of each Proper Officer in office at the date the Proper Officer's report is approved:

- so far as the Proper Officer is aware, there is no relevant audit information of which the Group's and Duchy of Cornwall's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Proper Officer in order to make themselves aware of any relevant audit information and to establish that the Group's and Duchy of Cornwall's auditor is aware of that information.

Independent auditor's report to the Duke of Cornwall

Year ended 31st March 2022

Report on the audit of the accounts

Opinion

In my opinion, the Duchy of Cornwall's group accounts and company accounts (the "accounts"):

- give a true and fair view of the state of the Group's and of the Duchy of Cornwall's affairs as at 31st March 2022 and of the Group's revenue surplus, the Group's capital surplus and the Group's and Duchy of Cornwall's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and as applied to the Duchy of Cornwall by the Accounts Direction given by HM Treasury dated 7th June 2022; and
- have been prepared in accordance with the Accounts Direction given by HM Treasury dated 7th June 2022.

I have audited the accounts, included within the Annual Report, which comprise: the Group and the Duchy of Cornwall balance sheets as at 31st March 2022; the Group Revenue Account Statement of Comprehensive Income; the Group Capital Account Statement of Comprehensive Income; the Group and the Duchy of Cornwall statement of changes in capital and reserves and the Group and the Duchy of Cornwall statement of cash flows for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. My responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the accounts section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

I remained independent of the Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the accounts, I have concluded that the Proper Officers' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Duchy of Cornwall's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and my auditor's report thereon. The Proper Officers are responsible for the other information. My opinion on the accounts does not cover the other information and, accordingly, I do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with my audit of the accounts, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If I identify an apparent material inconsistency or material misstatement, I am required to perform procedures to conclude whether there is a material misstatement of the accounts or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report based on these responsibilities.

With respect to the Strategic report and Proper Officers' Report, I also considered whether the disclosures required by the Accounts Direction given by HM Treasury dated 7th June 2022 have been included.

Based on my work undertaken in the course of the audit, the Accounts Direction given by HM Treasury dated 7th June 2022 requires me also to report certain opinions and matters as described below.

Strategic report and Proper Officers' Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Proper Officers' Report for the year ended 31st March 2022 is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the Duchy of Cornwall and their environment obtained in the course of the audit, I did not identify any material misstatements in the Strategic report and Proper Officers' Report.

Responsibilities for the accounts and the audit

Responsibilities of the Proper Officers for the accounts

As explained more fully in the Statement of Proper Officers' Responsibilities, the Proper Officers are responsible for the preparation of the accounts in accordance with the Accounts Direction given by HM Treasury dated 7th June 2022 and for being satisfied that they give a true and fair view. The Proper Officers are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Proper Officers are responsible for assessing the Group's and the Duchy of Cornwall's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Proper Officers either intend to liquidate the Group or the Duchy of Cornwall or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

My objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which my procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on my understanding of the Group and the Duchy of Cornwall and industry, I identified that the principal risks of non-compliance with laws and regulations related to the Accounts Direction given by HM Treasury dated 7th June 2022 and Duchy of Cornwall Management Act 1982, and I considered the extent to which non-compliance might have a material effect on the accounts. I evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of the Revenue Account net surplus, including through incorrect classification of transactions between the Revenue Account and Capital Account. Audit procedures performed by the engagement team included:

- Enquiries of management of known or suspected instances of fraud or non-compliance with laws and regulations;
- Testing the allocation of costs between the Capital Account and Revenue Account including staff costs, repairs and maintenance expenses;
- Reviewing transfers from the Capital bank account to the Revenue bank account and inspecting signed transfer letters for those transactions;
- Testing any unusual or unexpected journal entries, such as those which impact the Capital Account but are unrelated to investment property or investments;
- Challenging assumptions and judgements made by management in accounting estimates, particularly in relation to investment property valuations and pensions;
- Incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed; and
- Obtaining legal confirmations from each of the Duchy of Cornwall's lawyers and reviewing the legal expense listings to identify any possible breaches of laws or regulations.

There are inherent limitations in the audit procedures described above. I am less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. 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 my responsibilities for the audit of the accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Use of this report

This report, including the opinions, has been prepared for The Duke of Cornwall in accordance with the Duchy of Cornwall Management Act 1982 and for no other purpose. I do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

Other required reporting

Opinion on matters required by the Duchy of Cornwall Management Act 1982

In my opinion:

- proper accounting records have been kept by the Proper Officers of the Duchy of Cornwall;
- the Proper Officers of the Duchy of Cornwall have maintained a satisfactory system of control over transactions affecting the Duchy of Cornwall Property, as defined in the Duchy of Cornwall Management Act 1982; and
- the accounts are in agreement with the accounting records of the Duchy of Cornwall.

Other matters on which I am required to report by exception

Under the terms of my engagement I am required to report to you if, in my opinion:

- I have not obtained all the information and explanations I required for my audit; or
- Certain disclosures of Proper Officers' remuneration specified by the Accounts Direction given by HM Treasury dated 7th June 2022

I have no exceptions to report arising from this responsibility.

Other matters

In my opinion, any conditions or restrictions that are subject to:

- A sanction of approval under:
  - Section 11 of the Duchy of Cornwall Management Act 1863; or
  - Section 2 of the Duchy of Cornwall Management Act 1868; or
- An authorisation under Section 3 or 7 of the Duchy of Cornwall Management Act 1982 have been satisfied or complied with.

Katharine Finn

Chartered Accountant
and Statutory Auditor
Bristol
17th June 2022

Financial statements

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

Group revenue account statement of comprehensive income

	Note	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Revenue	2	37,191	45,005
Operating costs	2	(15,950)	(20,359)
Operating surplus		**21,241**	**24,646**
Finance income	5	**2,630**	**3,233**
Finance costs	6	**(3,894)**	**(3,913)**
Net finance costs		**(1,264)**	**(680)**
Net surplus for the year		**19,977**	**23,966**
(Deficit)/surplus attributable to:			
Non-controlling interests		(438)	942
Duchy of Cornwall		20,415	23,024
Other comprehensive income			
Items that will not be reclassified subsequently to income statement:			
Actuarial gain on retirement benefit obligations	7	2,184	1,406
Total comprehensive income on Revenue account		**22,161**	**25,372**
Total comprehensive (expense)/income attributable to:			
Non-controlling interests		(438)	942
Duchy of Cornwall		22,599	24,430

All operations are considered to be continuing.

The Duchy is not subject to corporation tax as it is not a separate legal entity for tax purposes. However, His Royal Highness voluntarily pays income tax on the Duchy's net surplus for the year (note 1).

Group capital account statement of comprehensive income

	Note	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Net gain from Fair Value adjustment on investment property	8	26,111	67,758
Net gain on the disposal of investment property		2,842	19,615
Net gain on revaluation of investment property held for sale		1,546	1,064
Net gain on the disposal of investment property held for sale		3,749	1,801
Share of (loss)/profit from joint venture	10	(750)	29
Net gain on sale of associate	10	267	–
Finance costs		(165)	(200)
Charge from revenue account for salary costs	2	(1,084)	(1,030)
Settlement of legal case		1,380	–
Other costs		(215)	(721)
Net surplus for the year		**33,681**	**88,316**
Surplus attributable to:			
Non-controlling interests		–	–
Duchy of Cornwall		33,681	88,316
Other comprehensive income/(expense)			
Items that will not be reclassified to capital profit or loss:			
Net (loss)/gain on revaluation of owner-occupied property	9	(63)	173
Items that may be reclassified to capital profit or loss:			
Net gain on the revaluation of financial assets	11	8,658	289
Net gain on the revaluation of financial derivatives	15	674	2,162
Total comprehensive income on Capital account		**42,950**	**90,940**
Total comprehensive income attributable to:			
Non-controlling interests		–	–
Duchy of Cornwall		42,950	90,940

The notes on pages 56 to 83 are an integral part of these financial statements.

Group balance sheet

	Note	As at 31st March 2021 £'000	As at 31st March 2022 £'000
Assets			
Non-current assets			
Investment property	8	952,050	1,015,011
Property, plant and equipment	9	19,909	19,705
Investments in joint ventures and associates	10	7,250	3,322
Financial assets	11	92,423	92,210
Retirement benefit assets	7	–	973
Derivative financial instruments	15	–	881
Trade and other receivables	12	1,000	1,000
Total non-current assets		**1,072,632**	**1,133,102**
Current assets			
Inventories		2,052	1,948
Trade and other receivables	12	8,030	10,283
Cash and cash equivalents	22	17,554	49,048
		27,636	61,279
Investment property assets held for sale	13	15,582	14,307
Total current assets		**43,218**	**75,586**
Total assets		**1,115,850**	**1,208,688**
Liabilities			
Current liabilities			
Trade and other payables	14	(15,439)	(14,779)
Borrowings	15	(1,073)	(382)
Lease liabilities		(566)	(448)
Total current liabilities		**(17,078)**	**(15,609)**
Non-current liabilities			
Trade and other payables	14	(5,553)	(4,528)
Borrowings	15	(134,646)	(137,266)
Lease liabilities		(2,610)	(2,216)
Derivative financial instruments	15	(1,365)	–
Retirement benefit obligations	7	(775)	–
Total non-current liabilities		**(144,949)**	**(144,010)**
Net assets		**953,823**	**1,049,069**
Reserves			
Revenue reserve available for distribution to HRH		5,397	7,355
Retirement benefit reserve		(3,478)	(2,072)
Capital reserve		952,454	1,041,232
Hedging reserve		(810)	1,352
		953,563	1,047,867
Non-controlling interest		260	1,202
Total equity		**953,823**	**1,049,069**

The notes on pages 56 to 83 are an integral part of these financial statements.

The financial statements on pages 48 to 83 were approved by the Proper Officers and signed on their behalf by Alastair Martin, Secretary and Keeper of the Records, 17th June 2022.

Duchy of Cornwall balance sheet

	Note	As at 31st March 2021 £'000	As at 31st March 2022 £'000
Assets			
Non-current assets			
Investment property	8	941,427	1,003,502
Property, plant and equipment	9	8,775	9,017
Investments in joint ventures and associates	10	7,250	3,322
Investments in subsidiaries	10	7,440	7,440
Financial assets	11	92,423	92,210
Retirement benefit assets	7	–	973
Derivative financial instruments	15	–	881
Trade and other receivables	12	8,141	7,222
Total non-current assets		**1,065,456**	**1,124,567**
Current assets			
Inventories		489	648
Trade and other receivables	12	6,244	7,651
Cash and cash equivalents	22	17,177	48,519
		23,910	56,818
Investment property assets held for sale	13	15,582	14,307
Total current assets		**39,492**	**71,125**
Total assets		**1,104,948**	**1,195,692**
Liabilities			
Current liabilities			
Trade and other payables	14	(14,542)	(13,169)
Lease liabilities		(14)	(7)
Total current liabilities		**(14,556)**	**(13,176)**
Non-current liabilities			
Trade and other payables	14	(5,553)	(4,528)
Borrowings	15	(132,993)	(135,939)
Lease liabilities		(55)	(50)
Derivative financial instruments	15	(1,365)	–
Retirement benefit obligations	7	(775)	–
Total non-current liabilities		**(140,741)**	**(140,517)**
Net assets		**949,651**	**1,041,999**
Reserves			
Revenue reserve available for distribution to HRH		4,034	4,785
Retirement benefit reserve		(3,478)	(2,072)
Capital reserve		949,905	1,037,934
Hedging reserve		(810)	1,352
Total equity		**949,651**	**1,041,999**

The notes on pages 56 to 83 are an integral part of these financial statements.

The Duchy has elected under Section 408 of the Companies Act 2006 as allowed by the Accounts Direction given by HM Treasury dated 7th June 2022 not to include its own statement of comprehensive income in these financial statements. The profit for the year for the Duchy was £21.817million (2021: £20.842million).

The financial statements on pages 48 to 83 were approved by the Proper Officers and signed on their behalf by Alastair Martin, Secretary and Keeper of the Records, 17th June 2022.

Group statement of changes in capital and reserves

	Revenue account		Capital account		Total £'000	Non-controlling interest £'000	Total reserves £'000
	Revenue reserve £'000	Retirement benefit reserve £'000	Capital reserve £'000	Hedging reserve £'000			
Balance as at 1st April 2020	**5,225**	**(5,662)**	**910,178**	**(1,484)**	**908,257**	**502**	**908,759**
Net surplus/(deficit) for the year	20,415	–	33,681	–	54,096	(252)	53,844
Other comprehensive (expense)/income							
Net loss on revaluation of owner-occupied property (note 9)	–	–	(63)	–	(63)	–	(63)
Net gain on revaluation of financial assets (note 11)	–	–	8,658	–	8,658	–	8,658
Gain on financial derivatives (note 15)	–	–	–	674	674	–	674
Actuarial gain on retirement benefit obligations (note 7)	–	2,184	–	–	2,184	–	2,184
Total comprehensive income/(expense)	**20,415**	**2,184**	**42,276**	**674**	**65,549**	**(252)**	**65,297**
Non-controlling interest in subsidiary share capital	–	–	–	–	–	10	10
	25,640	(3,478)	952,454	(810)	973,806	260	974,066
Less payments made to HRH							
In respect of current year	(15,018)	–	–	–	(15,018)	–	(15,018)
In respect of prior year	(5,225)	–	–	–	(5,225)	–	(5,225)
Balance as at 31st March 2021	**5,397**	**(3,478)**	**952,454**	**(810)**	**953,563**	**260**	**953,823**
Net surplus for the year	23,024	–	88,316	–	111,340	942	112,282
Other comprehensive income							
Net gain on revaluation of owner-occupied property (note 9)	–	–	173	–	173	–	173
Net gain on revaluation of financial assets (note 11)	–	–	289	–	289	–	289
Gain on financial derivatives (note 15)	–	–	–	2,162	2,162	–	2,162
Actuarial gain on retirement benefit obligations (note 7)	–	1,406	–	–	1,406	–	1,406
Total comprehensive income	**23,024**	**1,406**	**88,778**	**2,162**	**115,370**	**942**	**116,312**
Non-controlling interest in subsidiary share capital	–	–	–	–	–	–	–
	28,421	(2,072)	1,041,232	1,352	1,068,933	1,202	1,070,135
Less payments made to HRH							
In respect of current year	(15,669)	–	–	–	(15,669)	–	(15,669)
In respect of prior year	(5,397)	–	–	–	(5,397)	–	(5,397)
Balance as at 31st March 2022	**7,355**	**(2,072)**	**1,041,232**	**1,352**	**1,047,867**	**1,202**	**1,049,069**

Revenue reserve

The revenue reserve and only the revenue reserve is available for distribution to HRH.

Capital reserve

The capital reserve contains the gains and losses on the revaluation of assets held to generate income. Proceeds from the disposal of capital assets have to be reinvested. Neither the gains/losses on revaluation nor the proceeds from disposal are available for distribution to HRH.

Duchy of Cornwall statement of changes in capital and reserves

	Revenue account		Capital account		
	Revenue reserve £'000	Retirement benefit reserve £'000	Capital reserve £'000	Hedging reserve £'000	Total reserves £'000
Balance as at 1st April 2020	**3,435**	**(5,662)**	**908,161**	**(1,484)**	**904,450**
Net surplus for the year	20,842	–	33,149	–	53,991
Other comprehensive (expense)/income					
Net loss on revaluation of owner-occupied property (note 9)	–	–	(63)	–	(63)
Net gain on revaluation of financial assets (note 11)	–	–	8,658	–	8,658
Gain on financial derivatives (note 15)	–	–	–	674	674
Actuarial gain on retirement benefit obligations (note 7)	–	2,184	–	–	2,184
Total comprehensive income	**20,842**	**2,184**	**41,744**	**674**	**65,444**
	24,277	(3,478)	949,905	(810)	969,894
Less payments made to HRH					
In respect of current year	(15,018)	–	–	–	(15,018)
In respect of prior year	(5,225)	–	–	–	(5,225)
Balance as at 31st March 2021	**4,034**	**(3,478)**	**949,905**	**(810)**	**949,651**
Net surplus for the year	21,817	–	87,567	–	109,384
Other comprehensive income					
Net loss on revaluation of owner-occupied property (note 9)	–	–	173	–	173
Net gain on revaluation of financial assets (note 11)	–	–	289	–	289
Gain on financial derivatives (note 15)	–	–	–	2,162	2,162
Actuarial gain on retirement benefit obligations (note 7)	–	1,406	–	–	1,406
Total comprehensive income	**21,817**	**1,406**	**88,029**	**2,162**	**113,414**
	25,851	(2,072)	1,037,934	1,352	1,063,065
Less payments made to HRH					
In respect of current year	(15,669)	–	–	–	(15,669)
In respect of prior year	(5,397)	–	–	–	(5,397)
Balance as at 31st March 2022	**4,785**	**(2,072)**	**1,037,934**	**1,352**	**1,041,999**

Group statement of cash flows

	Note	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Cash generated from operating activities	16	24,348	23,432
Interest paid		(3,910)	(4,072)
Net cash inflow from operating activities		**20,438**	**19,360**
Cash flows from investing activities			
Tenant loan repaid		–	200
Investments in joint ventures		(154)	–
Investments in associates		–	(100)
Distributions from joint ventures		127	3,994
Proceeds from sale of associate		476	127
Proceeds from disposal of financial investments		–	502
Purchase of investment property		(930)	(41,828)
Property improvements and development expenditure		(7,300)	(18,750)
Proceeds from disposal of investment properties		7,569	72,883
Purchase of property, plant and equipment		(1,739)	(1,031)
Proceeds from disposal of assets held for sale		11,630	12,795
Financial investment income received		3,396	3,128
Interest received		94	75
Net cash inflow from investing activities		**13,169**	**31,995**
Cash flows from financing activities			
Proceeds from borrowings		1,707	2,746
Principal paid on lease liabilities		(188)	(524)
Borrowings repaid		(207)	(1,017)
Payments made to HRH		(20,243)	(21,066)
Net cash outflow from financing activities		**(18,931)**	**(19,861)**
Increase in cash in the year		14,676	31,494
Cash and cash equivalents at start of year		2,878	17,554
Cash and cash equivalents at end of year		**17,554**	**49,048**

Duchy of Cornwall statement of cash flows

	Note	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Cash generated from operating activities	16	23,212	18,882
Interest paid		(3,620)	(3,620)
Net cash inflow from operating activities		**19,592**	**15,262**
Cash flows from investing activities			
Tenant loan repaid		–	200
Net movement on amounts owed by subsidiaries		668	729
Investments in joint ventures		(154)	–
Investments in associates		–	(100)
Distributions from joint ventures		127	3,994
Distribution received from QMS (Poundbury) LLP		400	443
Proceeds from disposal of financial investments		–	502
Purchase of investment property		(930)	(41,828)
Property improvements and development expenditure		(7,300)	(18,613)
Proceeds from disposal of investment properties		7,569	72,883
Purchase of property, plant and equipment		(725)	(582)
Proceeds from disposal of assets held for sale		11,630	12,795
Financial investment income received		3,396	3,128
Interest received		454	863
Net cash inflow from investing activities		**15,135**	**34,414**
Cash flows from financing activities			
Proceeds from borrowings		–	2,746
Principal paid on lease liabilities		(12)	(14)
Payments made to HRH		(20,243)	(21,066)
Net cash outflow from financing activities		**(20,255)**	**(18,334)**
Increase in cash in the year		14,472	31,342
Cash and cash equivalents at start of year		2,705	17,177
Cash and cash equivalents at end of year		**17,177**	**48,519**

Notes to the financial statements

Year ended 31st March 2022

1 Accounting policies

Basis of preparation

The consolidated financial statements incorporate the financial statements of the Duchy of Cornwall ("the Duchy") and its subsidiary undertakings all prepared up to 31st March 2022.

The financial statements of the Group and the Duchy have been prepared on a going concern basis and in accordance with the Accounts Direction issued by HM Treasury dated 7th June 2022 (set out on page 85). On 31st December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Duchy transitioned to UK-adopted International Accounting Standards in its financial statements on 1st April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of the Duchy have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 where applicable in the Accounts Direction issued by HM Treasury dated 7th June 2022.

Following the outbreak of COVID-19 in early 2020, careful consideration continues to be given to its likely impact on the Duchy. The Duchy has undertaken a detailed analysis of the potential impact of COVID-19 on its cash flows for the financial year ending 31st March 2023 and also considered in its longer term forecasts.

Outcomes from the review indicate that, with the UK economy now fully open and normal activity resuming, the financial impact will not be significant, the availability of liquid resources to manage the situation will remain considerable and confirm that the Duchy will continue to meet its financial commitments and remains a going concern.

The Duchy is in the fortunate position that the Group balance sheet has exhibited significant growth with net assets of £1,049million.

The financial statements have been prepared in Sterling (rounded to the nearest thousand), which is the presentational currency of the Group, and under the historical cost convention as modified by the revaluation of land and buildings, Fair Value through other comprehensive income investments, derivative financial instruments and financial assets and liabilities held for trading. A summary of the more important Group accounting policies, which have been applied consistently across the Group year on year, is set out below. The preparation of financial statements in conformity with UK-adopted International Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

New standards and interpretations not yet adopted

The Group has applied the following amendments for the first time for its annual reporting period commencing 1st April 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendment listed above did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31st March 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Significant judgements and estimates

Property assets held for sale

Judgement is taken to establish when to classify an investment property as an asset held for sale. The Duchy classifies investment properties as assets held for sale where their carrying amount is likely to be recovered principally through a sale transaction and a sale is considered highly probable within the next 12 months. Information on properties being openly marketed and the status of sale negotiations is used to aid the decision.

Estimates

Pension valuation

A formal valuation of the pension scheme is undertaken every three years by an external actuary and the most recent result rolled forward to the reporting date. Valuations are based on a number of key assumptions, including estimates of future salary and pension increases, mortality rates and inflation.

Carrying value of loans and receivables

The Group tests annually loans and receivable financial assets for indicators of impairment, and performs an impairment assessment if indicators of impairments are identified. The recoverable amount of loans and receivables is determined using loss rates based on particular property types and situations affecting particular tenants or business types, and the Group uses its judgement to make assumptions based on the conditions existing at the end of each reporting period and information available.

Property valuations

Investment properties, owner-occupied property and investment property assets 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, investment yields, and anticipated outgoings and maintenance costs. The external and internal valuers also make reference to market evidence of transaction prices for similar properties.

Revenue

Revenue is measured at the transaction price allocated to the performance obligations received or receivable, and represents amounts receivable for services provided or goods supplied, stated net of discounts and value added taxes. The Group recognises revenue when a customer obtains control of goods or in the accounting period in which the services are rendered and, thus, has the ability to direct the use and obtain the benefits from the good or service.

Property income

This comprises rental income, licence fees, other dues and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable. Rental income is recognised on a straight line basis over the lease term. Licence fees and other property-related dues are recognised on an accruals basis for the period covered.

Sales of produce at the Duchy Nursery

The Group operates a nursery selling plants and other goods. Sales of goods are recognised when the performance obligation is fulfilled, which is when a product is sold and control transferred. Sales are usually in cash or by credit card.

Income at J V Energen LLP

The Group has a subsidiary, J V Energen LLP, which has built and runs an anaerobic digestion and biomethane injection plant at Dorchester, Dorset. Income is recognised when biomethane is injected into the local gas distribution network or when electricity is exported to the National Grid. Sales of energy are invoiced and renewable energy subsidies are applied for via Ofgem.

1 *Accounting policies* *(continued)*

Finance income

Income in respect of bank interest, fixed interest and corporate bond investments is accounted for on an accruals basis under the effective interest rate method. Equity income is included on a receipts basis.

Deferred revenue

The Group recognises a liability for rental income received in advance from the leasing out of investment property. Deferred lease rentals are recognised as revenue on a straight line basis over the lease term.

Foreign currencies

All foreign exchange dealings relate to the Capital account. Foreign currency transactions are translated into Sterling at rates prevailing at the dates of transaction or at the year end rate where items are remeasured.

Gains and losses arising on conversion or translation are dealt with as part of realised and unrealised investment gains and losses within the Capital account statement of comprehensive income.

Post-retirement benefits

The Group operates post-employment schemes that include both defined benefit and defined contribution plans. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the Fair Value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows against interest rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the operating surplus.

For defined contribution plans the Duchy pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Duchy has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Net revenue surplus for the year

The Duchy of Cornwall is not subject to tax. Since 6th April 1993, on a voluntary basis, His Royal Highness has paid income tax at the prevailing rates in respect of the net revenue surplus of the Duchy after deduction of business-related costs.

Investment property valuation

Investment properties, including those held for development, are valued on the basis of Fair Value. Investment properties are those held to earn income and/or capital appreciation. Any surplus or deficit on the revaluation of investment properties is recognised within the Capital account statement of comprehensive income.

Marine and mineral interests included within investment property are only specifically valued where a letting exists or where an interest is likely to be sold for a capital premium in the next year. The interests are valued on an existing use basis.

Owner-occupied property

Properties occupied by the Duchy of Cornwall 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: owner-occupied property is maintained to a high standard and will continue to be so. As a result, 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.

Investment property assets held for sale

Properties being actively marketed with the intention of disposal within 12 months of the balance sheet date are held at Fair Value. They are shown within the balance sheet as investment property assets within current assets. Any surplus or deficit arising on the revaluation of property assets held for sale is recognised within the Capital account statement of comprehensive income. Transfers into and out of investment property happen on a regular basis.

Disposal of properties

The sale of property is recognised when the control has been transferred to the buyer, usually when legally binding contracts that are irrevocable and unconditional are exchanged, which is when legal title passes to the purchaser, on completion. The profit or loss on disposal of properties is taken to the Capital account statement of comprehensive income. The profit or loss on disposal is determined as the difference between the sale proceeds and the carrying value of the asset at the commencement of the accounting period plus additions in the period and costs of sale. Properties transferred between categories are also valued at the carrying value at the commencement of the accounting period.

Impairment

All properties are carried at Fair Value. Impairment of other asset types is discussed, where relevant, within their respective accounting policies.

Leases

Leases – the Group as lessor

The Group has exercised judgement in determining that in all material respects, where the Duchy of Cornwall is the lessor, all such leases are accounted for as operating leases on a straight line basis over the term of the relevant lease. 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), and whether substantially all the risks and rewards of ownership remain with the Duchy.

Leases – the Group as lessee

Where the Group is a lessee, a right of use asset and lease liability are recognised at the outset of the lease except for all leases of 12 months or less, which are treated as short-term leases and are accounted for through profit and loss on a straight line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Group's expectations of the likelihood of the lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect the imputed interest, payments made to lessor and any lease modifications. The Group applies a single discount rate to portfolios with reasonably similar characteristics.

The right of use asset is initially measured at cost, which comprises the amount of the lease liability and any lease payments made at or before commencement date, less any lease incentives received and an estimate of any costs expected to be incurred at the end of the lease to dismantle or restore the asset. The right of use asset classified as property, plant and equipment is subsequently depreciated over the shorter of the useful life of the asset and the lease term, unless the title to

1 Accounting policies *(continued)*

the asset transfers at the end of the lease term, in which case depreciation is over the useful life. The amount charged to the income statement comprises the depreciation of the right of use asset and the imputed interest on the liability.

Plant and equipment

Plant and equipment is stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Plant and equipment is purchased out of the Capital account under the terms of warrants issued under Section 7 of the Duchy of Cornwall Management Act 1982.

The plant and equipment is depreciated on a straight line basis, over the expected useful life, and repaid out of the Revenue account statement of comprehensive income applying the following rates:

- motor vehicles – 25% per annum; and
- plant and equipment – 4% to 33% per annum.

The plant and equipment residual values and useful lives are reviewed and adjusted if appropriate at each financial year end. The carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Financial investments

Financial investments under IFRS 9 are categorised as Fair Value through other comprehensive income and are measured at Fair Value with profits or losses on revaluation being taken to the Capital account statement of comprehensive income.

The Duchy recognises private equity and fixed interest securities as Fair Value through other comprehensive income as they are held to collect cash flows or to sell.

The Duchy elected to recognise equity financial investments as Fair Value through other comprehensive income to reduce volatility in the income statement; this will result in no recycling through the profit and loss.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are undertakings in which the Duchy has an interest and which are jointly controlled by the Duchy and one or more other parties. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profits or losses is recognised in the Revenue account statement of comprehensive income. Its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The joint venture activity is deemed to be capital related and the profits or losses are recognised in the Capital account statement of comprehensive income.

Inventories

Wood, nursery and other stocks are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Inventory is presented net of provisions held for slow-moving, obsolete or damaged items.

Provisions

Provisions are recognised when the Duchy has an obligation in respect of a past event, where it is more likely than not that payment (or a non-cash settlement) will be required to settle the obligation, and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at Fair Value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group and Duchy apply the IFRS 9 simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables and contract assets.

Trade payables

Trade payables are recognised initially at Fair Value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at Fair Value and subsequently measured at amortised cost using the effective interest method.

Upon renegotiation of a loan an assessment is made if the loan is modified or extinguished. Upon modification or extinguishment any associated costs will be recognised in the capital income statement.

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.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at Fair Value on the date a derivative contract is entered into and are subsequently remeasured 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 Duchy documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Duchy also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in Fair Values or cash flows of hedged items.

The Fair Values of various derivative instruments used for hedging purposes are disclosed in note 15. The full Fair Value of a hedging derivative is classified as a non-current asset or

1 *Accounting policies* *(continued)*

liability when the remaining maturity of the hedging instrument is more than 12 months, and as a current asset or liability when the remaining maturity of the hedging instrument is less than 12 months.

Cash flow hedge

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 statement of comprehensive income. The ineffective portion of changes in Fair Value of derivatives is recognised in the surplus or deficit within the Capital account statement of comprehensive income. Amounts accumulated in reserves are reclassified to the Revenue account statement of comprehensive income in the periods when the hedged transaction takes place.

When a hedging instrument expires, is sold or no longer meets the criteria for hedge accounting, any effective cumulative gain or loss existing in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in the Revenue account statement of comprehensive income. Any resulting ineffectiveness will be taken to the Capital account statement of comprehensive income.

Investment in subsidiaries and associate undertakings

Investments in subsidiaries and associate undertakings are held at cost less accumulated impairment losses by the Duchy.

IBOR reform

Following the termination of LIBOR on 31st December 2021, the Group has transitioned its IBOR linked instruments to SONIA. As of 31st March 2022, the Group has an interest rate swap having a fair value of £880,833 maturing in December 2027 that has now transitioned from LIBOR to SONIA. The Group didn't early adopt the Phase 2 amendments published in August 2020 during last financial year however did early adopt the Phase 1 amendments to IFRS 9 and IFRS 7 issued in September 2019.

Details of derivative financial instruments and hedging arrangements at the year end are disclosed in note 15.

2 *Analysis of Revenue account operating surplus*

	Note	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Property income:			
Agricultural income		8,236	7,921
Commercial income		16,087	17,633
Residential income		6,266	6,925
Total property income		30,589	32,479
Sale of goods		3,155	7,888
Feed-in Tariff and Renewable Heat Incentive income*		3,447	4,638
Total operating income		**37,191**	**45,005**
Staff costs	4	5,860	6,397
Charge to Capital account		(1,084)	(1,030)
		4,776	5,367
Direct cost of sales		3,401	4,922
Depreciation	9	1,392	1,441
Repairs and maintenance		2,906	4,784
Administration		2,232	3,077
Other operating costs		1,243	768
Total operating costs		**15,950**	**20,359**
Operating surplus		**21,241**	**24,646**

During the year to 31st March 2021, the Duchy received £1.38million in compensation for professional advice which led to a loss on a capital asset valuation. Further analysis of the Capital account operating surplus is not deemed necessary given the nature of the transactions and disclosure within the primary statements.

*Sale of goods as previously disclosed amalgamated all income from trading enterprises. This is now disaggregated into sale of goods (Duchy Nursery and J V Energen LLP) and Feed-in Tariff and Renewable Heat Incentive income (J V Energen LLP) which relate to the business's production of electricity and gas.

2 *Analysis of Revenue account operating surplus* *(continued)*

During the year the Group obtained the following services from the Duchy of Cornwall's auditors and their associates:

	Year ended 31st March 2021 £	Year ended 31st March 2022 £
Fees payable to the Duchy of Cornwall auditors for the audit of the Duchy and consolidated financial statements:		
Current year	164,000	182,000
Prior year	15,000	–
Fees payable to the Duchy of Cornwall auditors and their associates for other services:		
The audit of QMS (Poundbury) LLP	11,000	12,000
	190,000	**194,000**

3 *Leasing: operating leases with tenants*

The Duchy of Cornwall leases out all of its investment properties under operating leases with, on average, 65 years remaining to expiry. The aggregate minimum rentals, excluding contingent rents, receivable under non-cancellable leases are as follows:

	31st March 2021 £'000	31st March 2022 £'000
Less than one year	19,078	20,061
Between two and five years	60,985	62,604
After five years	324,482	425,212
	404,545	**507,877**

Leases with no fixed expiry date have been excluded from the figures above.

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Contingent rents receivable	**1,249**	**1,973**

The value of the assets generating this rental income is detailed in note 8.

4 *Staff costs*

The number of people employed during the year was as follows:

	Group Year ended 31st March 2021 Monthly average number	Duchy Year ended 31st March 2021 Monthly average number	Group Year ended 31st March 2022 Monthly average number	Duchy Year ended 31st March 2022 Monthly average number
Administrative	78	78	79	79
Estate workers	12	12	15	15
Renewable energy team	7	–	7	–
Nursery	55	55	59	59
Housekeepers	26	26	30	30
	178	**171**	**190**	**183**

4 *Staff costs* *(continued)*

The total remuneration for the Group was £7.879million (2021: £7.244million) comprising:

	Group Year ended 31st March 2021 £'000	Duchy Year ended 31st March 2021 £'000	Group Year ended 31st March 2022 £'000	Duchy Year ended 31st March 2022 £'000
Wages and salaries	5,412	5,128	5,955	5,575
Social security costs	577	557	621	590
Pension costs	921	916	884	876
Other staff costs	334	309	419	246
	7,244	**6,910**	**7,879**	**7,287**

Included within the above figures are £1.404million of costs capitalised as improvements or development expenditure. The costs of staff primarily engaged on Revenue account activities are:

	Group Year ended 31st March 2021 £'000	Duchy Year ended 31st March 2021 £'000	Group Year ended 31st March 2022 £'000	Duchy Year ended 31st March 2022 £'000
Wages and salaries	4,430	4,145	4,860	4,480
Social security costs	463	444	500	469
Pension costs	761	756	736	728
Other staff costs	206	181	301	206
	5,860	**5,526**	**6,397**	**5,883**

Of the above, £1.030million (2021: £1.084million) are recharged to the Capital account, reflecting the extent that they are deemed to be enhancing its value.

Other staff costs include benefits (such as health insurance) and skill-enhancement costs for appropriate staff.

The emoluments of members of The Prince's Council were as follows:

	Year ended 31st March 2021 £	Year ended 31st March 2022 £
Alastair Martin	305,140	318,443
James Willcocks	–	8,000
Mark Thomas	8,000	–
	313,140	**326,443**

In addition, pension contributions of £33,607 (2021: £41,250) were paid into a money purchase scheme for Alastair Martin.

5 *Finance income – Group*

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Interest and dividend income from financial investments measured at Fair Value through other comprehensive income	2,577	3,167
Bank interest	1	20
Loan interest	52	46
	2,630	**3,233**

6 *Finance costs – Group*

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Loan interest	**3,894**	**3,913**

Loan interest cost recognised for the year ended 31st March 2022 includes £84,000 (2021: £84,000) transferred to hedging reserve in relation to the interest rate swaps.

7 Retirement benefit obligations – Group and the Duchy

The Duchy operates a defined benefit scheme in the UK, which is a final salary scheme that provides benefits linked to salary at retirement or earlier date of leaving service. The Scheme is open to future accrual but closed to new entrants.

The last completed actuarial valuation as at 1st January 2019 showed a funding deficit at that date of £4.590million. The Duchy agreed with the trustees of the Duchy of Cornwall Staff Pension Scheme a recovery plan to eliminate this funding shortfall by making additional annual contributions of £0.402million over a six-year period backdated to the valuation date. The results of the valuation as at 1st January 2019 have been used as a basis and then rolled forward to 31st March 2022. The actuarial valuation as at 1st January 2022 is currently underway.

The Scheme operates under the Pensions Act 2004.

Trustees have the primary responsibility for governance of the Scheme. Benefit payments are from trustee-administered funds and Scheme assets are held in trusts, which are governed by UK regulation. Responsibility for governance of the Scheme, including setting contribution rates, lies jointly with the Duchy and the trustees. However, investment decisions are the responsibility of the trustees only. The trustees comprise nominations from the Duchy and members in accordance with the Trust Deed and Rules.

Description of risks to which the Scheme exposes the Duchy:

- Asset volatility – if the Scheme's assets underperform the discount rate a deficit may result and so to mitigate this, the trustees have agreed that the Scheme's investment strategy will be de-risked over time. This is achieved by funding triggers that allow the Scheme to take advantage of favourable market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made.
- Inflation – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although for most increases there are caps in place that protect against extreme inflation).
- Longevity – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the Scheme's liabilities.

There have been no Scheme amendments, curtailments or settlements over the year.

Recognition of funded status

The amounts to be recognised in the balance sheet are determined as follows:

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Fair Value of assets at end of year	27,393	28,127
Present value of obligations at end of year	(28,168)	(27,154)
Net defined benefit (obligation)/asset	**(775)**	**973**

Expense recognised in income statement

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Current service cost	266	283
Administration expenses	130	106
Operating expense	396	389
Net interest on the net defined benefit obligation	64	9
Total expense recognised in income statement	**460**	**398**

Reconciliation of value of defined benefit obligations over the year

The movement in defined benefit obligations over the year was as follows:

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Present value of obligations at start of year	26,181	28,168
Current service cost	266	283
Interest cost	555	543
Distributions	(1,870)	(684)
Experience (gains)/losses	(299)	318
Actuarial losses/(gains) arising from change in financial assumptions	3,265	(1,412)
Actuarial losses/(gains) arising from change in demographic assumptions	70	(62)
Present value of obligations at end of year	**28,168**	**27,154**

7 Retirement benefit obligations – Group and the Duchy *(continued)*

Reconciliation of Fair Value of assets

The movement in the Fair Value of the assets over the year was as follows:

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Fair Value of assets at start of year	22,917	27,393
Employer contributions	765	740
Interest income	491	534
Return on Scheme assets excluding interest income	5,220	250
Distributions	(1,870)	(684)
Administration expenses and death in service premia	(130)	(106)
Fair Value of assets at end of year	**27,393**	**28,127**

Movement in net defined benefit obligation over the year

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Net defined benefit obligation at beginning of year	(3,264)	(775)
Employer contributions	765	740
Expense recognised in income statement	(460)	(398)
Remeasurement gains recognised in OCI	2,184	1,406
Net defined benefit obligation at end of year	**(775)**	**973**

Remeasurement effects recognised in other comprehensive income (OCI)

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Return on Scheme assets excluding interest income	5,220	250
Experience gains/(losses) on obligations	299	(318)
Actuarial (losses)/gains arising from change in financial assumptions	(3,265)	1,412
Actuarial (losses)/gains arising from change in demographic assumptions	(70)	62
Total gains recognised in OCI	**2,184**	**1,406**

Actuarial assumptions at end of year

	31st March 2021	31st March 2022
Discount rate (p.a.)	1.95%	2.75%
Salary increases (p.a.)	3.80%	4.60%
RPI inflation (p.a.)	3.35%	3.95%
CPI inflation (p.a.)	2.55%	3.35%
Pension increases: RPI min 0%, max 5% (p.a.)	3.25%	3.70%
Post-retirement mortality (base table)	S3PxA 'light' adjusted for CMI	S3PxA 'light' adjusted for CMI
Post-retirement mortality (improvements)	2019 projections with 1.5% p.a. long-term trend rate	2020 projections with 1.5% p.a. long-term trend rate

7 Retirement benefit obligations – Group and the Duchy *(continued)*

Sensitivity analysis

Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below.

Value of obligations at the end of the year if:	31st March 2022 £'000
Discount rate reduced by 0.25% p.a.	1,111
Discount rate increased by 0.25% p.a.	(1,046)
Salary increases increased by 0.25% p.a.	123
Salary increases decreased by 0.25% p.a.	(121)
Inflation increased by 0.25%* p.a.	821
Inflation decreased by 0.25%* p.a.	(823)
Life expectancy increased by approximately one year	1,168
Life expectancy decreased by approximately one year	(1,148)

* This sensitivity allows for the impact on all inflation-related assumptions (salary increases, deferred revaluation and pension increases (subject to the relevant caps and floors)).

The above analyses assume that assumption changes occur in isolation except in the case of inflation, where any change is assumed to have a corresponding impact on salary increases, deferred revaluation and inflation-linked pension increases. In practice this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities as when calculating the defined benefit obligation.

Description of any asset-liability matching strategies

The trustees have agreed that the Scheme's investment strategy will be de-risked over time. This is done by funding triggers that allow the Scheme to take advantage of favourable market conditions and developments in the funding level. If the funding level improves by a predetermined amount, then a switch to increase the target allocation for liability matching assets will be made.

Breakdown of value of assets at end of year

The following tables provide information on the composition and Fair Value of assets of the Scheme.

	Quoted £'000	Unquoted £'000	Total £'000
Equities	8,427	–	8,427
Diversified growth fund	3,413	–	3,413
UK corporate bonds: investment grade	5,630	–	5,630
LDI matching and liquidity funds	7,152	–	7,152
Cash	–	433	433
Private markets	–	3,072	3,072
At 31st March 2022	**24,622**	**3,505**	**28,127**

	Quoted £'000	Unquoted £'000	Total £'000
UK equities	1,011	–	1,011
Overseas equities	15,299	–	15,299
Index-linked gilts	5,192	–	5,192
UK corporate bonds: investment grade	5,362	–	5,362
Cash	–	529	529
At 31st March 2021	**26,864**	**529**	**27,393**

7 Retirement benefit obligations – Group and the Duchy *(continued)*

Effect of the Scheme on the Duchy's future cash flows

Description of any funding arrangements and funding policy that would affect future contributions:

The Scheme was in deficit on a funding basis at 1st January 2019, the date of the latest completed annual actuarial report. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed with an effective date of 1st January 2022.

The Duchy's best estimate of contributions to be paid over following year (£'000)	716
Average duration of the liabilities (years)	16
Expected future benefit payments (£'000):	
Year ending 31st March 2023	1,120
Year ending 31st March 2024	950
Year ending 31st March 2025	983
Year ending 31st March 2026	1,088
Year ending 31st March 2027	1,201
Five years ending 31st March 2032	5,722

The Duchy also contributes to defined contribution scheme arrangements, the charge for which was £478,000 (2021: £461,000).

8 Investment property – Group

	Agricultural & Forestry £'000	Commercial £'000	Residential £'000	Development land £'000	Total £'000
At 1st April 2020	**396,379**	**295,245**	**205,816**	**31,146**	**928,586**
Additions	1,322	48	–	–	1,370
Capital improvements	1,534	1,282	887	36	3,739
Capitalised development expenditure	–	–	–	4,800	4,800
Transfer to investment property assets held for sale	(301)	–	(94)	(6,993)	(7,388)
Disposals	(1,285)	(1,850)	(1,432)	(600)	(5,167)
Net (loss)/gain from Fair Value adjustments on investment property	(4,633)	13,540	8,250	8,953	26,110
At 31st March 2021	**393,016**	**308,265**	**213,427**	**37,342**	**952,050**
Additions	168	40,563	3	–	40,734
Capital improvements	3,531	232	923	9	4,695
Capitalised development expenditure	–	–	–	13,424	13,424
Transfers from property, plant and equipment at Fair Value	–	54	–	–	54
Transfer to investment property assets held for sale	–	–	(514)	(9,922)	(10,436)
Transfers between investment property categories	(2,544)	13,093	(10,133)	(416)	–
Disposals	(516)	(52,418)	(213)	(121)	(53,268)
Net gain from Fair Value adjustments on investment property	27,353	28,827	6,947	4,631	67,758
At 31st March 2022	**421,008**	**338,616**	**210,440**	**44,947**	**1,015,011**

8 Investment property – the Duchy

	Agricultural & Forestry £'000	Commercial £'000	Residential £'000	Development land £'000	Total £'000
At 1st April 2020	**396,379**	**286,752**	**203,949**	**31,146**	**918,226**
Additions	1,322	48	–	–	1,370
Capital improvements	1,534	1,282	887	36	3,739
Capitalised development expenditure	–	–	–	4,800	4,800
Transfer to investment property assets held for sale	(301)	–	(94)	(6,993)	(7,388)
Disposals	(1,285)	(1,850)	(1,432)	(600)	(5,167)
Net (loss)/gain from Fair Value adjustments on investment property	(4,633)	13,335	8,192	8,953	25,847
At 31st March 2021	**393,016**	**299,567**	**211,502**	**37,342**	**941,427**
Additions	168	40,563	3	–	40,734
Capital improvements	3,531	96	923	9	4,559
Capitalised development expenditure	–	–	–	13,424	13,424
Transfers from property, plant and equipment at Fair Value	–	54	–	–	54
Transfer to investment property assets held for sale	–	–	(514)	(9,922)	(10,436)
Transfers between investment property categories	(2,544)	13,093	(10,133)	(416)	–
Disposals	(516)	(52,418)	(213)	(121)	(53,268)
Net gain from Fair Value adjustments on investment property	27,353	28,352	6,672	4,631	67,008
At 31st March 2022	**421,008**	**329,307**	**208,240**	**44,947**	**1,003,502**

8 Investment property – Group and the Duchy

Fair Values of land and buildings

The Duchy holds four main classes of investment property: Commercial property (Urban and Rural), Agricultural property (Agricultural, Forestry and Other Rural Assets), Residential property and Development land. The Duchy's investment property is measured at Fair Value. Changes in the Fair Value are recognised in the capital income statement. For all properties the current use equates to the highest and best use.

All properties are valued on an annual basis. All significant development sites plus 20% by number of the remaining properties in the mainland rural estate are valued by Savills on a rotational basis. The balance of mainland rural estate properties are valued by internal valuers who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers and employees of the Duchy of Cornwall. The internal valuers have detailed management knowledge of the properties concerned. The internal valuation team is led by one of the Duchy's employees, an RICS Registered Valuer, supported by the Duchy's Finance Director. All Isles of Scilly properties are valued externally by Savills. All of the London residential properties are valued externally by Cluttons. All of the urban commercial properties are valued externally by Avison Young. All valuations are in accordance with the RICS Valuation – Global Standards effective from 31st January 2022 (incorporating the IVSC International Valuation Standards) (the "Red Book") and, if relevant the RICS Valuation – Professional Standards UK January 2019.

Valuation fees for external valuers are a fixed amount agreed prior to the valuation and independent of the portfolio value. Internal valuers are not incentivised in any way in relation to property value.

Fair Value measurements using significant unobservable inputs (Level 3)

The Fair Value of the Duchy's property portfolio is determined using a variety of techniques depending on the property type and the terms of the lease. These techniques include the yield methodology, adjusted sales comparison approach and discounted cash flow, and are consistent with IFRS 13 Fair Value Measurement. They involve a degree of judgement and use data which is not widely publicly available. Inputs to the valuations, some of which are "unobservable" as defined by IFRS 13, include capitalisation rates, discount rates and comparable market values for both rents and vacant possession values. For these reasons, all valuations of the Duchy's property portfolio are classified as Level 3 as defined by IFRS 13.

Valuation processes

Property is valued according to one or more of the following three approaches:

i) Yield methodology: the value of the income stream for the term of the lease, by reference to the current rent for the property, rent review provisions, market rent for similar properties, and capitalisation rates from similar properties traded in the same geographic region;

ii) Adjusted sales comparison approach: the vacant possession value of similar properties the time until vacant possession will be achieved and discount rates for similar properties traded in the same geographic region; and

iii) Discounted cash flow: net future cash flows for the duration of a project are discounted at an appropriate rate, and a risk factor may be applied.

The external valuers provide capitalisation and discount rates. They review all valuations performed by the internal valuers and consider all major inputs to the valuation process, including market rents, comparable vacant possession values for similar properties and the unexpired term of leases. Together with the Duchy's internal lead valuer and finance team they review the output from the valuation including the valuation techniques used for each property, adjustments made to default values for unobservable inputs and the correlation of valuation inputs to data from the Duchy's property and financial systems. They assess valuation movements compared to the prior year valuation (at a property, valuer, regional and property-type level), and review ratios of let value to vacant possession value, values per square metre or per hectare, effective yields and comparisons to property market indices.

All development land is valued externally, the majority on the basis of discounted cash flows. Inputs are applied to each section of each development site, taking into consideration the specific situation for each site – the stage of development, the extent of planning permissions and the contractual arrangements in place. Detailed discussions are held between the external valuers and the Duchy's Estate Director and Finance Director. The two main uncertainties in valuing development land are the eventual market prices for the buildings and land at each site and the rate of future sales.

The valuation results are reviewed by the Duchy's Finance and Audit Committee.

8 *Investment property – Group and the Duchy* *(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 (ceteris paribus)

All in £'000	Increase of 50 basis points	As disclosed	Decrease of 50 basis points
Agricultural	311,810	364,900	471,266
Other rural assets	28,863	29,985	31,218
Urban commercial	208,180	233,051	265,002
Rural commercial	99,709	105,565	112,276
Residential property	207,104	210,440	214,274

Impact on Fair Value of changes to market rental values (ceteris paribus)

All in £'000	Increase of 10%	As disclosed	Decrease of 10%
Agricultural	385,800	364,900	343,973
Urban commercial	249,502	233,051	225,212

The Fair Values at the balance sheet date, valuation techniques, nature and, where meaningful, range of unobservable inputs are shown in the table on the following page for each class of investment property.

8 *Investment property – Group and the Duchy* *(continued)*

Quantitative data about Fair Value measurement using unobservable inputs (Level 3) – Group

	Property type	Fair Value at 31st March 2022 £'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs (where meaningful)
Agricultural & Forestry	Agricultural	£364,900	Yield methodology	Rental values	–
				Capitalisation rate	Farms: 1.5% to 3.5% Bare land: 9% to 10%
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	–
				Discount rate for terminal value	5% to 7%
				Estimate of period until vacant possession achieved	0 to 77 years (average 5 years)
	Forestry	£26,123	Adjusted sales comparison approach	Price per hectare	£2,471 to £79,369 (average £13,688) per hectare
	Other rural assets	£29,985	Yield methodology	Rental values	–
				Capitalisation rate	8% to 10%
				Discount rate for terminal value	8% to 12%
	Total	**£421,008**			
Commercial	Urban commercial	£233,051	Yield methodology	Rental values	Industrial: £138 psm Office: £17 to £526 psm Retail: £129 to £567 psm
				Capitalisation rate	Industrial: 5% Office: 3% to 5% Retail: 5% to 6.7% Other: 3.6% to 9.9%
	Rural commercial	£105,565	Yield methodology	Rental values	–
				Capitalisation rate	5.5% to 10.25%
	Total	**£338,616**			
Residential		£210,440	Yield methodology	Rental values	–
				Capitalisation rate	4% to 5%
			Adjusted sales comparison approach	Adjusted comparable vacant possession values	–
				Discount rate for terminal value	5% to 7%
				Estimate of period until vacant possession achievable, for short-term lets	0 to 19 years (average 0.9 years) Fair Value £144million
				Estimate of period until vacant possession achievable, for long-term lets	0 to 160 years (average 33 years) Fair Value £66million
Development land		£44,947	Discounted cash flow	Discount rate	7% to 8% (average 7.1%)
				Risk factor	0% to 55% (average 10%)
				Time to completion	< 1 year to 29 years (average 17.4 years)

9 Property, plant and equipment – Group

	Motor vehicles £'000	Right of use motor vehicles £'000	Plant and equipment £'000	Right of use plant and equipment £'000	Owner-occupied property £'000	Right of use owner-occupied property £'000	Total £'000
At 1st April 2020							
Cost/valuation	146	46	15,408	3,971	5,946	47	25,564
Accumulated depreciation	(122)	(31)	(5,373)	(1,028)	–	–	(6,554)
Net book value	**24**	**15**	**10,035**	**2,943**	**5,946**	**47**	**19,010**
Year ended 31st March 2021							
Additions/improvements	24	44	1,712	211	393	–	2,384
Transfer between categories – cost	–	–	(285)	285	–	–	–
Disposal at cost	–	–	(50)	–	–	–	(50)
Fully written down – cost	(69)	(31)	(358)	–	–	–	(458)
Depreciation charge	(21)	(14)	(1,038)	(319)	–	–	(1,392)
Depreciation on disposal	–	–	20	–	–	–	20
Fully written down – depreciation	69	31	358	–	–	–	458
Revaluation	–	–	–	–	(63)	–	(63)
At 31st March 2021	**27**	**45**	**10,394**	**3,120**	**6,276**	**47**	**19,909**
At 31st March 2021							
Cost/valuation	101	59	16,427	4,467	6,276	47	27,377
Accumulated depreciation	(74)	(14)	(6,033)	(1,347)	–	–	(7,468)
Net book value	**27**	**45**	**10,394**	**3,120**	**6,276**	**47**	**19,909**
Year ended 31st March 2022							
Additions/improvements	28	3	788	9	290	–	1,118
Transfer to investment property	–	–	–	–	(54)	–	(54)
Fully written down – cost	(31)	–	(132)	–	–	–	(163)
Depreciation charge	(20)	(18)	(1,032)	(371)	–	–	(1,441)
Fully written down – depreciation	31	–	132	–	–	–	163
Revaluation	–	–	–	–	173	–	173
At 31st March 2022	**35**	**30**	**10,150**	**2,758**	**6,685**	**47**	**19,705**
At 31st March 2022							
Cost/valuation	98	62	17,083	4,476	6,685	47	28,451
Accumulated depreciation	(63)	(32)	(6,933)	(1,718)	–	–	(8,746)
Net book value	**35**	**30**	**10,150**	**2,758**	**6,685**	**47**	**19,705**

9 Property, plant and equipment – the Duchy

	Motor vehicles £’000	Right of use motor vehicles £’000	Plant and equipment £’000	Right of use plant and equipment £’000	Owner-occupied property £’000	Right of use owner-occupied property £’000	Total £’000
At 1st April 2020							
Cost/valuation	146	8	5,306	26	5,946	47	11,479
Accumulated depreciation	(122)	(3)	(2,780)	(11)	–	–	(2,916)
Net book value	**24**	**5**	**2,526**	**15**	**5,946**	**47**	**8,563**
Year ended 31st March 2021							
Additions/improvements	24	7	308	6	393	–	738
Fully written down – cost	(69)	–	(358)	–	–	–	(427)
Depreciation charge	(21)	(6)	(429)	(7)	–	–	(463)
Fully written down – depreciation	69	–	358	–	–	–	427
Revaluation	–	–	–	–	(63)	–	(63)
At 31st March 2021	**27**	**6**	**2,405**	**14**	**6,276**	**47**	**8,775**
At 31st March 2021							
Cost/valuation	101	15	5,256	32	6,276	47	11,727
Accumulated depreciation	(74)	(9)	(2,851)	(18)	–	–	(2,952)
Net book value	**27**	**6**	**2,405**	**14**	**6,276**	**47**	**8,775**
Year ended 31st March 2022							
Additions/improvements	28	3	240	–	290	–	561
Transfer to investment property	–	–	–	–	(54)	–	(54)
Fully written down – cost	(31)	–	(132)	–	–	–	(163)
Depreciation charge	(20)	(6)	(403)	(9)	–	–	(438)
Fully written down – depreciation	31	–	132	–	–	–	163
Revaluation	–	–	–	–	173	–	173
At 31st March 2022	**35**	**3**	**2,242**	**5**	**6,685**	**47**	**9,017**
At 31st March 2022							
Cost/valuation	98	18	5,364	32	6,685	47	12,244
Accumulated depreciation	(63)	(15)	(3,122)	(27)	–	–	(3,227)
Net book value	**35**	**3**	**2,242**	**5**	**6,685**	**47**	**9,017**

An independent valuation of the Group’s land and buildings was performed by valuers – see note 8 for further details. The revaluation surplus was credited to other comprehensive income and is shown in "Capital reserve".

10 Investments in joint ventures, associates and subsidiaries

The Group has the following undertakings for the year ended 31st March 2022:

Name	Entity type	Principal activities	% of holding
QMS (Poundbury) LLP*	Partnership	Investment property	100
RP (Poundbury) LLP**	Partnership	Investment property	50
Poundbury Spa LLP**	Partnership	Spa operation	15
J V Energen LLP***	Partnership	Energy supply	54
BioCarbonics Ltd***	Company****	Renewable CO_2 sourcing and marketing	30
West Country Soil Improvement Ltd***	Company****	Soil improver production and marketing	100

*Registered Office 66 Lincoln's Inn Fields, London WC2A 3LH

**Registered Office c/o C G Fry & Sons, Litton Cheney, Dorchester, Dorset DT2 9AW

***Registered Office c/o Wilkin Chapman LLP, The Maltings, Brayford Wharf, East Lincoln LN5 7AY

****Held through J V Energen LLP

Investments in joint ventures

As at 31st March 2022, the Duchy owned 50% of the members' capital of RP (Poundbury) LLP.

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Balance at 1st April	6,732	5,908
Net invested in year	53	–
Distributed in year	(127)	(3,994)
Share of (loss)/profit	(750)	29
Balance at 31st March	**5,908**	**1,943**

RP (Poundbury) LLP was incorporated on 14th March 2015 and commenced trading on that date. The principal activity of RP (Poundbury) LLP during the year was property development.

The latest unaudited financial statements were produced for the year ended 31st March 2022. The aggregate assets, liabilities, revenue and results for RP (Poundbury) LLP were as follows:

	As at/Year ended 31st March 2021 £'000	As at/Year ended 31st March 2022 £'000
Assets	11,856	3,902
Liabilities	(40)	(17)
(Loss)/Profit	**(1,500)**	**58**

10 *Investments in joint ventures, associates and subsidiaries* *(continued)*

Investments in associates

As at 31st March 2022, the Duchy owned 15% of the members' capital of Poundbury Spa LLP but 33% of the voting rights and is therefore deemed to have significant influence over the entity, so accounts for the investment as an associate. No dividends are payable until all loans have been repaid.

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Balance at 1st April	1,288	1,342
Net invested in year	101	100
Share of loss	(47)	(63)
Balance at 31st March	**1,342**	**1,379**

The latest management accounts were produced for the year ended 31st March 2022. The aggregate assets, liabilities and results for Poundbury Spa LLP were as follows:

	As at/Year ended 31st March 2021 £'000	As at/Year ended 31st March 2022 £'000
Assets	4,096	3,987
Liabilities	(225)	(293)
Loss	(359)	(422)

Investments in subsidiaries

	31st March 2021 £'000	31st March 2022 £'000
QMS (Poundbury) LLP	6,790	6,790
J V Energen LLP	650	650
	7,440	**7,440**

The principal activity of QMS (Poundbury) LLP during the year was the commercial operation of a retail, residential and office building.

The latest unaudited financial statements of QMS (Poundbury) LLP were produced for the year ended 31st March 2022. The revenue and results for QMS (Poundbury) LLP were as follows:

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
Revenue	575	608
Profit	462	524

During the year the Duchy retained 54% of the members' capital of J V Energen LLP for £650,000 and is entitled to 59% of the partnership profits. The Duchy has also provided loans to the partnership as described in note 12. The principal activities of J V Energen LLP and its subsidiaries (BioCarbonics Ltd and West Country Soil Improvement Ltd) are the operation of an anaerobic digestion, biomethane injection and renewable carbon dioxide-capture plant, the shipping and marketing of biomethane, the shipping and marketing of carbon dioxide from renewable sources, and the production and marketing of soil improvement products. Under the terms of J V Energen LLP's bank overdraft, dividends cannot be paid nor shareholders' loans or capital be repaid without prior bank approval.

The partnerships have been consolidated within these financial statements. The investments in the Group entities are recorded at cost in the Duchy's own financial statements, which is the Fair Value of the consideration paid.

11 Financial assets – Group and the Duchy

	Fair Value through other comprehensive income			
	Equity securities Level 1 £'000	Fixed interest securities Level 1 £'000	Private equity funds Level 3 £'000	Total £'000
At 1st April 2020	**47,033**	**32,701**	**4,031**	**83,765**
Revaluation	4,491	3,945	222	8,658
At 31st March 2021	**51,524**	**36,646**	**4,253**	**92,423**
Sale proceeds	–	–	(502)	(502)
Revaluation	2,007	(2,404)	686	289
At 31st March 2022	**53,531**	**34,242**	**4,437**	**92,210**

The Fair Values of financial investments classified as Level 1 are based on quoted market prices on the 31st March 2022 under Fair Value through other comprehensive income. Level 3 investments are valued using valuation techniques in which at least one input is not based on observable market data. There were no transfers of investments between the Fair Value hierarchy levels during the year.

Several of the financial investments included above are foreign currency denominated and are translated into Sterling at the prevailing rate at the year end. The table below analyses the sensitivity of the above investments to the denominated currency:

	31st March 2021 £'000	31st March 2022 £'000
US Dollar exchange rate +/- 10bpt	**(291)/336**	**(313)/365**

The maximum exposure to the credit risk at the reporting date is the carrying value of the debt securities classified as Fair Value through other comprehensive income.

The carrying value of financial assets, including debt securities classified as Fair Value through other comprehensive income and cash deposits best represents the maximum exposure to counterparty risk at the reporting date.

12 Trade and other receivables

	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000	Group 31st March 2022 £'000	Duchy 31st March 2022 £'000
Amounts falling due within one year:				
Trade receivables	4,400	3,951	4,408	3,953
Less provision for impairment	(501)	(477)	(591)	(565)
Other receivables	200	200	1,525	1,521
Prepayments	478	358	450	192
Accrued income	3,453	2,212	4,491	2,360
Amounts due from Group subsidiaries	–	–	–	190
	8,030	**6,244**	**10,283**	**7,651**
Amounts falling due after more than one year:				
Other receivables	1,000	1,000	1,000	1,000
Amounts due from Group subsidiaries	–	7,141	–	6,222
	1,000	**8,141**	**1,000**	**7,222**

The Group's accrued income has risen year on year as a result of income growth at J V Energen LLP.

The Group's other receivables falling due after more than one year comprise £1million at 4% repayable at a date to be determined.

Amounts due from the Group subsidiaries comprise two loans to J V Energen LLP – £4.6million repayable in 2026 at an interest rate of 8% and £1.812million at 6% repayable by 2030.These loans are secured against the land and buildings of the company. The recoverability of intercompany receivables and loans has been reviewed using the expected credit loss method under IFRS 9. The expected credit loss was immaterial.

All receivables are denominated in Sterling.

As of 31st March 2022 trade receivables of £3.8million (2021: £3.2million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000	Group 31st March 2022 £'000	Duchy 31st March 2022 £'000
Under 3 months	2,396	2,314	3,126	2,681
3 to 12 months	598	595	479	487
Over 12 months	159	158	212	220
	3,153	**3,067**	**3,817**	**3,388**

As of 31st March 2022 trade receivables of £591,000 (2021: £501,000) were impaired and provided for. The impaired receivables mainly relate to tenants who are in financial difficulty.

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

Trade receivables balances are only written off when there is no reasonable expectation of recovery and when there is no enforcement action in place. Balances are not written off while enforcement action (such as a County Court Judgment) is in place.

The Group and Duchy apply the IFRS 9 simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and accrued income have been grouped based on the shared characteristics of the type of property to which they relate. Accrued income relates to unbilled rents that are due in arrears and have a due date after the balance sheet date. They have the same risk characteristics as trade receivables for the same type of property. It has therefore been concluded that the same expected credit loss rates apply to both types of asset.

The expected loss rates are based on risks associated with the particular property types, and understanding of the situation faced by both specific tenants and the business sectors occupying these properties. The resulting loss allowance for 31st March 2022 is a significant increase on 31st March 2021 for agricultural property, a reflection of the continued risks arising from changes to the UK subsidy regime. Last year saw a rise in the loss allowance for commercial property on the back of the expected economic impact of the pandemic, particularly for those connected with tourism and hospitality, and those whose jobs or livelihoods are more uncertain. This has abated, but uncertainty remains. The outlook for other property types remains relatively unchanged.

12 *Trade and other receivables* *(continued)*

On that basis, the loss allowance as at 31st March 2022 was determined as follows for both trade receivables and accrued income:

Group

	Agriculture £'000	Commercial £'000	Residential £'000	Other property £'000	Financial investments £'000	Other £'000	Total £'000
31st March 2022							
Expected loss rate	10.8%	6.5%	32.7%	7.1%	0.0%	0.6%	–
Gross carrying amount – trade receivables	1,406	1,314	441	479	–	768	4,408
Gross carrying amount – accrued income	297	1,268	70	257	467	2,132	4,491
Loss allowance	**185**	**169**	**167**	**52**	**–**	**18**	**591**
31st March 2021							
Expected loss rate	7.4%	8.6%	31.0%	5.8%	0.0%	0.0%	–
Gross carrying amount – trade receivables	1,415	1,326	445	222	–	–	3,408
Gross carrying amount – accrued income	220	665	42	526	398	1,548	3,399
Loss allowance	**120**	**171**	**151**	**43**	**–**	**15**	**500**

Duchy

	Agriculture £'000	Commercial £'000	Residential £'000	Other property £'000	Financial investments £'000	Other £'000	Total £'000
31st March 2022							
Expected loss rate	10.8%	6.4%	32.7%	7.1%	0.0%	0.8%	–
Gross carrying amount – trade receivables	1,408	1,243	431	479	–	392	3,953
Gross carrying amount – accrued income	297	1,268	71	257	467	–	2,360
Loss allowance	**185**	**161**	**164**	**52**	**–**	**3**	**565**
31st March 2021							
Expected loss rate	7.4%	8.6%	31.4%	5.8%	0.0%	0.0%	–
Gross carrying amount – trade receivables	1,415	1,227	439	222	–	–	3,303
Gross carrying amount – accrued income	220	659	42	526	623	87	2,157
Loss allowance	**120**	**162**	**151**	**43**	**–**	**–**	**476**

The loss allowances for trade receivables and accrued income as at 31st March reconcile to the opening loss allowances as follows:

	Group 2021 £'000	Duchy 2021 £'000	Group 2022 £'000	Duchy 2022 £'000
Opening loss allowance at 1st April	329	314	501	477
Increase in loss allowance recognised in Revenue account	682	673	132	130
Net receivables written off	(510)	(510)	(42)	(42)
Closing loss allowance at 31st March	**501**	**477**	**591**	**565**

The creation, release and utilisation 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 Fair Values of trade and other receivables are not considered to be significantly different from their carrying values.

13 Investment property assets held for sale – Group and the Duchy

	Year ended 31st March 2021 £'000	Year ended 31st March 2022 £'000
At 1st April	15,870	15,582
Disposal	(9,611)	(12,779)
Capitalised development expenditure	337	–
Capital improvements	52	4
Transfer from investment property	7,388	10,436
Revaluation in year	1,546	1,064
At 31st March	**15,582**	**14,307**

At the year end the Duchy was actively marketing properties for sale at the Fair Values stated above, and these are expected to be sold within 12 months of the balance sheet date. This strategy forms part of the long-term aim to continue to improve and rebalance the property portfolio. Where sales have taken longer to complete than anticipated, some assets may be in this category for longer than 12 months.

14 Trade and other payables

	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000	Group 31st March 2022 £'000	Duchy 31st March 2022 £'000
Amounts falling due within one year:				
Trade payables	3,209	2,895	3,400	2,519
Accruals	2,955	2,531	4,114	3,546
Social security and other taxes	2,020	1,952	335	278
Payments received on account	2,639	2,639	1,628	1,628
Income received in advance	4,366	4,275	5,052	4,948
Other payable	250	250	250	250
	15,439	**14,542**	**14,779**	**13,169**
Amounts falling due after more than one year:				
Payments received on account	4,803	4,803	4,028	4,028
Other payable	750	750	500	500
	5,553	**5,553**	**4,528**	**4,528**

The Fair Values of trade and other payables are not considered to be significantly different from their carrying values.

Included within Other payable above is an amount for £0.75million (2021: £1.00million) relating to the Group's obligation to make dowry payments in connection with certain water and sewerage services on the Isles of Scilly. The dowry is payable in four equal annual instalments, with the first paid on 1st April 2021.

15 Borrowings and derivative financial instruments – Group and the Duchy

Group

	Less than 1 year £'000	1–5 years £'000	Over 5 years £'000	Total £'000
At 31st March 2022				
Borrowings	382	4,069	133,197	**137,648**
Interest rate swaps – cash flow hedges (Level 2)	–	–	(881)	**(881)**
At 31st March 2021				
Borrowings	1,073	1,642	133,004	**135,719**
Interest rate swaps – cash flow hedges (Level 2)	–	–	1,365	**1,365**

15 *Borrowings and derivative financial instruments – Group and the Duchy* *(continued)*

Duchy

	Less than 1 year £'000	1–5 years £'000	Over 5 years £'000	Total £'000
At 31st March 2022				
Borrowings	–	2,746	133,193	**135,939**
Interest rate swaps – cash flow hedges (Level 2)	–	–	(881)	**(881)**
At 31st March 2021				
Borrowings	–	–	132,993	**132,993**
Interest rate swaps – cash flow hedges (Level 2)	–	–	1,365	**1,365**

As part of the risk management strategy, the Duchy Finance Committee concluded that it wished to lock in to low interest rates. Management intends to achieve this by hedging the interest rate risk arising on the variable interest payable on bank debt using interest rate swap with a receive variable rate (3M SONIA) and pay fixed interest rate (1.397%). The Duchy has an interest rate derivative designated into a cash flow hedge relationship on the bank loan facility totalling £30million. The notional amount of the interest rate derivative is £30million. As at 31st March 2022, a gain of £2.162million (2021: £0.674million) was recognised in other comprehensive income in the Capital account statement of comprehensive income, in respect of the effective cash flow hedge relationship. This is classified as a Level 2 financial instrument measured at Fair Value on directly or indirectly observable inputs.

The bank loan of £30million is repayable in 2027 and has been fully swapped to a fixed rate of 2.64%. The Fair Values of borrowings are not considered to be significantly different from their carrying value (rate of swap 1.397%).

During the previous financial year, J V Energen LLP and its subsidiaries (BioCarbonics Ltd and West Country Soil Improvement Ltd) took out Government-backed loans through the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme on the standard terms available to all applicants, to support the businesses through operational and trading difficulties. J V Energen LLP borrowed £1.5million under CBILS, repayable initially in 54 instalments and later extended to 66 instalments, at an interest rate of 4% above base rate. At 31st March 2022, £1.111million (2021: £1.389million) remained outstanding on the loan. BioCarbonics Ltd and West Country Soil Improvement Ltd borrowed £50,000 and £30,000 respectively under the Bounce Back Loan Scheme. Repayments for both are in 60 instalments at a fixed interest rate of 2.5% per annum. Under both the CBILS and Bounce Back Loan Scheme, no interest is charged for the first 12 months. At 31st March 2022, £50,000 (2021: £50,000) and £25,000 (2021: £30,000) remained outstanding on these loans.

During the year a loan facility of up to £7million was agreed for the construction of specific infrastructure at Nansledan. The loan is repayable by 2026 and has a fixed interest rate of 3%.

On the 29th March 2019 the Duchy issued £105million of bonds maturing between 2059 and 2069 at fixed interest rates of between 2.68% and 2.73%. £75million was utilised to repay £75million of bank borrowings.

The valuation of interest rate swaps (classified as level 2) is taken from the counterparty bank. The economic relationship between hedged item (bank loan) and a hedging instrument (interest rate swap), as well as ineffectiveness (if any), is determined by using the dollar-offset methodology. Under this methodology a hypothetical derivative is constructed on the designation date to model the change in the Fair Value of the hedged item. This is constructed without the inclusion of credit risk. The hypothetical derivative will therefore be constructed as a 'receive fixed GBP and pay floating GBP SONIA' interest rate swap. Potential sources of ineffectiveness are changes in the credit risk of the Duchy or the counterparty to the interest rate swap (which management considers not material at year end) and movements in the starting value of the hedging instrument on the hedge relationship designation date due to the off-market rate of the interest rate swap. Ineffectiveness (if any) is recorded in profit or loss. The change in Fair Value of the hedging instrument of £2.246million (2021: £0.76million) and the Fair Value of the hedged item of £1.81million (2021: £0.68million) was used as the basis for recognising hedge ineffectiveness for the year.

To comply with the risk management policy, the hedge ratio is based on a GBP interest rate swap with a notional amount of £30million and a maturity date of 31st December 2027 to offset a GBP-denominated bank loan of £30million with a maturity date of 31st December 2027. This results in a hedge ratio of 1:1 or 100%.

Assessment of hedge effectiveness is done at inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

In 2017, the Duchy refinanced one of its borrowings to extend the maturity date and reduce the interest. The fixed interest payable on the loan decreased from SONIA +1.4% to SONIA +1.25%. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

16 Reconciliation of operating surplus to net cash inflow from operating activities

	Group Year ended 31st March 2021 £'000	Duchy Year ended 31st March 2021 £'000	Group Year ended 31st March 2022 £'000	Duchy Year ended 31st March 2022 £'000
Net surplus on the Revenue account	19,977	20,842	23,966	21,817
Net surplus on the Capital account	33,867	33,149	88,316	87,567
Adjusted for:				
IFRS 9 effective interest	142	142	191	191
Bond transaction costs	8	8	8	8
Depreciation	1,392	463	1,441	438
Impairment of financial assets	750	750	(29)	(29)
Interest and dividend income on Fair Value through other comprehensive income assets	(2,577)	(2,577)	(3,167)	(3,167)
Net finance costs	3,841	2,499	3,847	2,465
Share of loss from associate and joint venture	47	47	63	63
Net gain on disposal of investments	(453)	–	–	–
Shortfall of pension charge over contributions	(305)	(305)	(342)	(342)
Net gain from Fair Value of investment property	(26,110)	(25,847)	(67,758)	(67,008)
Net gain from Fair Value of investment property held for sale	(1,546)	(1,546)	(1,064)	(1,064)
Net gain on property held for sale	(3,749)	(3,749)	(1,801)	(1,801)
Profit on disposal of investment property	(2,842)	(2,842)	(19,615)	(19,615)
(Increase)/decrease in inventories	(152)	(59)	104	(159)
Decrease/(increase) in trade receivables	879	1,303	(1,461)	(491)
Decrease in trade payables	1,179	934	733	9
Net cash inflow from operating activities	**24,348**	**23,212**	**23,432**	**18,882**

17 Related party transactions

Two members of The Prince's Council are also trustees of The Duke of Cornwall's Benevolent Fund, to which the Duchy of Cornwall, on behalf of the Duke of Cornwall, pays surplus receipts of bona vacantia as detailed in note 18. There were no transactions with the trustees during the financial year and, as at 31st March 2022, there was £nil (2021: £nil) remaining payable to the trustees.

Certain Duchy properties are occupied by His Royal Highness The Prince of Wales and his office staff for living accommodation or commercial activities. These are let at open market values; the total value of annual rent charged amounted to £659,285 (2021: £702,810). As at 31st March 2022 there was £nil (2021: £nil) remaining payable to the Duchy. During the year, the Duchy received £690,000 in respect of the sale of a long lease on one of the former rental properties.

During the year the Duchy paid Mrs Annabel Elliot, The Duke of Cornwall's sister-in-law, in the normal course of business and on an arm's length basis, £32,920 (2021: £36,634) for fees and commission and £30,373 (2021: £22,215) for the purchase of furniture, furnishings and retail stock for the Duchy of Cornwall holiday accommodation, Duchy offices and Duchy Nursery. At 31st March 2022 there was £5,376 (2021: £5,104) remaining payable to Mrs Elliot.

The Duchy invoiced the Prince of Wales's Office for £104,080 in respect of 5,204 tonnes of carbon offset, £25,133 for accommodation costs and £19,686 towards staff time, machinery and material costs for woodland work. At 31st March 2022 there was £4,640 remaining payable to the Duchy.

Key management personnel are individuals that have the responsibility for planning, directing and controlling the activities of the Duchy. For the year ended 31st March 2022 the Duchy of Cornwall made the following payments to key management personnel: short-term employee benefits (salary) £1.563million (2021: £1.516million); post-employment benefits (retirement benefit plan contribution) £157,000 (2021: £163,000); benefits £27,000 (2021: £27,000); total £1.747million (2021: £1.706million).

Transactions with QMS (Poundbury) LLP, RP (Poundbury) LLP, Poundbury Spa LLP and J V Energen LLP are shown in notes 10 and 12.

During the year the Duchy received £562,288 of interest on loans to J V Energen LLP (2021: £584,000). In addition, the Duchy leased areas of land to a partnership for which rent of £172,662 (2021: £146,488) from J V Energen LLP was received.

18 *Bona vacantia*

During the year His Royal Highness, by right of his Duchy of Cornwall, received bona vacantia (being the estate of deceased intestates resident in Cornwall and dying without next of kin or assets remaining following dissolution of a company registered in Cornwall) of £293,000 (2021: £225,000) before allowing for ex gratia payments, returns and other associated costs of £42,000 (2021: £90,000). Surplus receipts of bona vacantia by His Royal Highness are paid over to The Duke of Cornwall's Benevolent Fund; £200,000 (2021: £200,000) was paid during the year. At 31st March 2022 the Duchy retained £810,000 (2021: £759,000) within creditors to meet potential future claims from individuals statutorily entitled to estates that had previously passed as bona vacantia to His Royal Highness.

Copies of The Duke of Cornwall's Benevolent Fund financial statements may be obtained from 10 Buckingham Gate, London, SW1E 6LA.

19 *Capital commitments*

At 31st March 2022 the Duchy had Capital commitments of £21.886million (2021: £0.537million) for development expenditure, fixed asset acquisitions and property purchases and improvement works; and £1.815million (2021: £1.867million) for the acquisition of financial investments.

A number of Duchy property leases include a commitment to appropriately compensate tenants at the end of the lease for capital improvements they have made during their tenancy. The improvements must be agreed in advance with the Duchy and a formula is used to derive the value of the improvements at the end of the lease, to ensure appropriate depreciation is included within the value. Due to some leases also including clauses for the tenant to pay the Duchy for dilapidations to the property, the requirement to pay out cash rarely occurs.

20 *Financial Instruments – Group*

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2021 £'000
Assets				
Financial assets	11	92,423	–	92,423
Trade and other receivables excluding prepayments and accrued income	12	–	5,099	5,099
Cash and cash equivalents		–	17,554	17,554
		92,423	**22,653**	**115,076**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(20,992)	(20,992)
Borrowings	15	(2,726)	(132,993)	(135,719)
Derivative financial instruments	15	(1,365)	–	(1,365)
		(4,091)	**(153,985)**	**(158,076)**

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2022 £'000
Assets				
Financial assets	11	92,210	–	92,210
Trade and other receivables excluding prepayments and accrued income	12	–	6,342	6,342
Derivative financial instruments	15	881	–	881
Cash and cash equivalents		–	49,048	49,048
		93,091	**55,390**	**148,481**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(19,307)	(19,307)
Borrowings	15	(4,455)	(133,193)	(137,648)
		(4,455)	**(152,500)**	**(156,955)**

20 Financial Instruments – the Duchy

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2021 £'000
Assets				
Financial assets	11	92,423	–	92,423
Trade and other receivables excluding prepayments and accrued income	12	–	11,815	11,815
Cash and cash equivalents		–	17,177	17,177
		92,423	**28,992**	**121,415**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(20,095)	(20,095)
Borrowings	15	–	(132,993)	(132,993)
Derivative financial instruments	15	(1,365)	–	(1,365)
		(1,365)	**(153,088)**	**(154,453)**

	Note	Held at Fair Value through other comprehensive income (Capital) £'000	Amortised cost £'000	31st March 2022 £'000
Assets				
Financial assets	11	92,210	–	92,210
Trade and other receivables excluding prepayments and accrued income	12	–	12,131	12,131
Derivative financial instruments	15	881	–	881
Cash and cash equivalents		–	48,519	48,519
		93,091	**60,650**	**153,741**
Liabilities				
Trade and other payables excluding non-financial liabilities	14	–	(17,697)	(17,697)
Borrowings	15	(2,746)	(133,193)	(135,939)
		(2,746)	**(150,890)**	**(153,636)**

21 *Financial risk management*

A review of the Group's financial and non-financial risks is set out on pages 16 to 21. This includes the strategic and operational risks of capital cash generation and tenant livelihoods, and the financial risks associated with credit investments.

Market risk

All borrowings at floating rates are fully hedged by swap agreements. Sensitivity to currency exchange movements is outlined in note 11. The Duchy has a diverse financial investment portfolio predominantly invested in funds so as to minimise risk.

Liquidity risk

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

	Less than 1 year £'000	2–5 years £'000	More than 5 years £'000	Total £'000
Borrowings	382	4,068	135,004	**139,454**
Net interest payable on loans/swaps	3,616	14,464	101,246	**119,326**
Trade and other payables	7,764	500	–	**8,264**
Lease liabilities	448	1,686	530	**2,664**
At 31st March 2022	**12,210**	**20,718**	**236,780**	**269,708**
At 31st March 2021	11,669	18,518	240,821	271,008

The Duchy reviews the liquidity risk on a regular basis, ensuring detailed forecasts incorporate all contractual obligations.

There is further narrative on how the Duchy manages liquidity risk on page 19 regarding the strategic and operational risks of capital cash generation and tenant livelihoods, as well as discussion on financial credit risk.

Credit risk

The Duchy is exposed to credit risk in relation to its tenants and financial institutions. Credit risk in respect of the Duchy's tenants is reviewed on a regular basis and appropriate action is taken where necessary. For new lettings the Duchy undertakes credit checks and holds tenant deposits where appropriate. For banks and financial institutions, the Duchy's appointed investment consultants assess the credit quality of the organisation, taking into account its financial position, past performance experience and other relevant factors.

There is further narrative concerning credit risk in note 12 regarding expected credit losses for trade receivables and accrued income.

Capital management

Under the 1337 Charter The Prince of Wales is not entitled to the proceeds or profit from the sale of capital assets and only receives the annual income that the assets generate. The Duchy's financial objective in managing capital assets is to continue to improve the quality of the estate while providing an income for future beneficiaries.

The Duchy continually monitors the capital asset weightings, particularly from a diversification and cash flow perspective. Capital cash flow projections are regularly reviewed and updated to ensure that funding is available to meet both liabilities when due and to pursue investment opportunities when considered appropriate. This also ensures that the covenants in relation to the bank loan facilities are adhered to.

22 Cash and cash equivalents

Net debt consists of loans and other borrowings (both current and non-current), less current asset investments and cash and cash equivalents. Loans and other borrowings are measured at the net proceeds raised, adjusted to amortise any discount over the term of the debt. For the purpose of this measure, current asset investments, and cash and cash equivalents are measured at the lower of cost and net realisable value.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current), current asset investments and cash and cash equivalents.

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

	Group 31st March 2020 £'000	Duchy 31st March 2021 £'000	Group 31st March 2022 £'000	Duchy 31st March 2022 £'000
Loans and other borrowings	137,084	134,358	137,648	135,939
Lease liabilities	3,176	69	2,664	57
Less: cash and cash equivalents	(17,554)	(17,177)	(49,048)	(48,519)
Net debt	**122,706**	**117,250**	**91,264**	**87,477**

Included within cash and cash equivalents are the following restricted funds:

	Group 31st March 2021 £'000	Duchy 31st March 2021 £'000	Group 31st March 2022 £'000	Duchy 31st March 2022 £'000
Rent deposit accounts	389	367	392	366

Reconciliation of liabilities arising from financing activities:

	Group 1st April 2021 £'000	Cash flows – additional borrowings/ (borrowings repaid) £'000	Non-cash changes		Group 31st March 2021 £'000
			Other £'000	New leases £'000	
Lease liabilities	2,785	(181)	–	572	3,176
Borrowings	134,068	1,501	150	–	135,719
	136,853	1,320	150	572	138,895

	Group 1st April 2021 £'000	Cash flows – additional borrowings/ (borrowings repaid) £'000	Non-cash changes		Group 31st March 2022 £'000
			Other £'000	New leases £'000	
Lease liabilities	3,176	(524)	–	12	2,664
Borrowings	135,719	1,729	200	–	137,648
	138,895	1,205	200	12	140,312

Treasury consents

Treasury consents under Section 7 of the Duchy of Cornwall Management Act 1982:

Authority for expenditure of up to £1,300,000 to reduce carbon emissions and for the assessment and improvement of natural capital

Authority for expenditure of up to £1,600,000 towards the grant of planning fees for a development project

Authority for borrowing of up to £5,800,000 for road construction

Treasury consents under Section 11 of the Duchy of Cornwall Management Act 1863:

Authority for expenditure of up to £5,800,000 on road construction

Authority for expenditure of up to £4,200,000 on a building complex

Authority for expenditure of up to £3,000,000 on a building conversion

Authority for expenditure of up to £1,250,000 on building improvements

Authority for expenditure of up to £1,000,000 on playground facilities

Authority for expenditure of up to £910,000 on building improvements

Authority for expenditure of up to £683,000 towards provision of park and ride facilities

Authority for the sale of a property for £71,750,000

Authority for the sale of a property for £3,700,000

Authority for the purchase of a property for £20,000,000

Authority for the purchase of a property for £18,000,000

Authority for the purchase of a property for £15,000,000

Authority for the purchase of a property for £620,540

Alastair Martin
Secretary and Keeper of the Records
17th June 2022

Appendix

Accounts Direction given by HM Treasury

1. The Duchy of Cornwall shall prepare accounts for the financial year ended 31st March 2022 and subsequent financial years comprising:

   - a report for the year, including a Strategic report, a Proper Officers' Report, a Statement of the Proper Officers' Responsibilities and a Governance Statement;
   - a Revenue Account Statement of Comprehensive Income and a Capital Account Statement of Comprehensive Income;
   - a Balance Sheet;
   - a Statement of Changes in Capital and Reserves; 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 Revenue Account Statement of Comprehensive Income, Capital Account Statement of Comprehensive Income, Statement of Changes in Capital and Reserves, Cash Flow Statement for the financial year and the balance sheet 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.

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 28th April 2020. It shall be reproduced as an appendix to the accounts.

David Fairbrother
Treasury Officer of Accounts

7th June 2022

Accounting and disclosure requirements

Companies Act 2006

1. The disclosure exemptions permitted by the CA shall not apply to the Duchy of Cornwall 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 Proper Officers' Report for the year, which shall be signed and dated by the Secretary 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. The statements of comprehensive income shall be prepared in accordance with International Accounting Standard (IAS) 1.
5. The balance sheet shall be prepared in accordance with IAS 1, separating the classification of the current and non-current assets, and current and non-current liabilities on the face of the balance sheet. The balance sheet shall be signed by the Secretary or other Proper Officer.
6. The Duchy is not required to provide the historical cost information described in paragraph 34(3) of Schedule 1 to the SI20081410.
7. The Duchy is not required to comply with the requirement specified in paragraph 35 of Schedule 1 to 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 for the Year 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;
   - list Treasury consents under Section 7 of the Duchy of Cornwall Management Act 1982 granted in that year; and
   - 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:
    - disclose the names of the external valuers and the qualifications of the internal valuers;
    - (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; and
    - provide details of the remuneration package of each member of the Prince's Council, together with a note of the pension contributions made in respect of Council members.
11. A formal valuation of the pension scheme was undertaken in 2019 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 trustees. The pension reserve required by IAS 19 shall be a separate non-distributable reserve within the balance sheet.

Carbon report

Year ended 31st March 2022

The Duchy of Cornwall is fully committed to understanding and reducing its carbon footprint. It has calculated and published carbon footprint data for the last 16 years. As reported last year, in 2020 we launched a Net Zero Carbon Strategy. This year we publish, for the first time, a **Net Zero Carbon Report** that sets out our ambition and our plans to reach net zero. We report on our greenhouse gas emissions, across Scopes 1, 2 and 3, in line with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We have taken a baseline year of 2019/20. This has allowed for baselining work to be undertaken over a reasonable period of time. We have set a goal to become net zero, to halt our contribution to global heating across Scopes 1, 2 and 3 emissions, by the early 2030s.

Carbon performance summary

GHG emissions summary

tCO_2e	2017/18	2018/19	2019/20 (baseline year)	2020/21
Scopes 1 and 2	35	26	46	33
Scope 3			234,814	
Total GHG emissions			**234,860**	
Sequestration			-26,040	
Net			**208,820**	

Scope 1 and 2 emissions for Duchy offices and trading enterprises

tCO_2e	2017/18	2018/19	2019/20 (baseline year)	2020/21
Scope 1 – operations	25	20	32	26
Scope 2 – electricity consumption	10	6	14	7
Total – emissions	**35**	**26**	**46**	**33**
Carbon intensity: Scopes 1 and 2 tCO_2e per full-time employee (FTE)	0.33	0.24	0.42	0.27
Energy use in properties				
Gas – gross	66	59	60	66
Gas – net	0	0	0	0
Electricity – gross	249	203	195	147
Electricity – net	10	6	14	7
Oil	25	20	32	26
Total – net (tCO_2e)	**35**	**26**	**46**	**33**
Total (MWh)	**1,042**	**1,125**	**1,106**	**1,093**

Scope 1 and 2 energy-efficiency measures

All offices and trading businesses purchase only electricity generated from renewable sources backed by Renewable Energy Guarantee of Origin certificates, and purchase gas backed by Renewable Gas Guarantees of Origin registered through the Green Gas Certification Scheme. The Cornwall and Devon offices have biomass boilers, Hereford has a heat pump and Bath has a roof-mounted solar PV array. The nature of the buildings, many of which are listed, often inhibits the implementation of modern energy-efficiency measures.

The Duchy offers a car leasing scheme for all staff, enabling them to lease electric vehicles via a salary sacrifice scheme and, thus, access government tax incentives. The Duchy does not pay the higher HMRC mileage rate for business travel, so as to encourage more fuel-efficient cars. On the Isles of Scilly and in mainland Cornwall, office pool cars have been replaced with electric vehicles. Electric vehicle charging points have been installed at five of the offices, with the remainder due in 2022/23. Many staff also continue to use video conferencing and new equipment has been installed in all offices.

Scope 3 emissions

Scope 3 emissions by GHG category		GHG emissions (tCO_2e)	GHG emissions (%)
1: Purchased goods and services		3,230	1%
2: Capital goods		11,320	5%
3: Fuel-and-energy-related activities (FERA)		22	<1%
4: Upstream transportation and distribution	Out of scope as immaterial		
5: Waste generated in operations	Covered in category 1		
6: Business travel		98	<1%
7: Employee commuting		74	<1%
8: Upstream leased assets	Out of scope as immaterial		
9: Downstream transportation and distribution	Out of scope as immaterial		
10: Processing of sold products	Out of scope as immaterial		
11: Use of sold productions	Out of scope as immaterial		
12: End-of-life treatment of sold products	Out of scope as immaterial		
13: Downstream leased assets		211,184	90%
14: Franchises	Out of scope as immaterial		
15: Investments		8,886	4%
Total		**234,814**	

Scope 3 emissions by Duchy asset type	GHG emissions (tCO_2e)	GHG emissions (%)
Land use and farming	144,783	62%
Peatland	55,400	24%
Construction	11,323	5%
Financial investments	8,886	4%
Rural commercial property	6,580	3%
Residential property	3,487	1%
Urban commercial property	3,324	1%
Trading enterprises	451	<1%
Other rural and marine assets	349	<1%
Duchy operational	231	<1%
Total	**234,814**	

Scope 3 Net Zero Carbon Programme

To achieve our Scope 3 ambitions, we have identified a wide range of projects and initiatives to make change happen at the pace the planet needs. These initiatives will be coordinated through a Net Zero Carbon Programme, with resources and investments made where needed, and learning and development woven throughout. This is a significant programme and will succeed because everyone across the Duchy will be supported in playing their part.

The Net Zero Carbon Programme is spread over eight areas:

1. Enabling initiatives
2. Farming
3. Peatland
4. Developments
5. Residential property
6. Financial investments
7. Commercial property
8. Nature-based solutions

You can read more about these in our Net Zero Carbon Report.

Carbon reporting policy

Category 1: Purchased Goods and Services

Accounts for 1.4% of Scope 3 GHG emissions. Includes all purchased goods and services associated with buildings owned and operated by the Duchy. To avoid double counting, we have excluded spend on items such as construction and fuel spend where that is covered by separate (more accurate) calculations.

In a typical year the Duchy may trade with over 1,500 suppliers. Two-thirds of spend is with just 50 of these suppliers, consisting of construction, building and property maintenance companies, professional services companies (lawyers, accountants, IT consultants, architects) and county councils.

A spend-based method was used to quantify GHG emissions from purchased goods and services. Firstly, the top 80% of the Duchy's spend was categorised into activity categories (i.e. building repairs, professional services, etc.). Those categories were then matched to relevant Environmentally Extended Input-Output (EEIO) emission factors. Finally, the total GHG emissions were uplifted to account for the remaining 20% of spend.

Category 2: Capital Goods (Developments)

Accounts for 5% of Scope 3 GHG emissions. Activities related to the construction of new developments in Nansledan and Poundbury are included in this category, along with the emissions from the first year of operational emissions. Both the embodied GHG emissions of buildings materials and the GHG emissions from construction activities themselves are included.

Carbon emissions from the main Duchy new-build developments were calculated by the Development Consultancy team at PRP Architects, using design and build data provided by the Duchy of Cornwall and its development partners, CG Fry & Son Ltd, Wain Homes Ltd and Morrish Homes Ltd. The most up-to-date and trusted software was deployed for the modelling related to embodied carbon (both residential and external works) and operational carbon, such as Tally, 1 click LCA, PHPP and SAP 10.

Category 3: Fuel-and-Energy-Related Activities (FERA)

Accounts for 0.01% of Scope 3 GHG emissions. Includes GHG emissions associated with the extraction, production and transportation of fuels and energy consumed by the trading enterprises and in-hand operations. GHG emissions were calculated by combining Scope 1 and 2 energy consumption with the relevant transmission and distribution (T&D) and Well-to-Tank (WTT) emission factors from the **Greenhouse gas reporting: conversion factors (2019)** (BEIS/DEFRA).

Category 6: Business Travel

Accounts for 0.04% of Scope 3 GHG emissions. Business travel includes emissions from the Duchy's vehicles, staff-owned vehicles, hire cars, trains, boats, taxis, planes and estate maintenance vehicles. Travel data is obtained from the personal expense claim system and invoicing system, which are retained in the accounts reporting system and consolidated through the carbon reporting processes. The journey details, including distance and/or fuel consumed, are used as the basis for determining emissions.

For a small number of journeys, insufficient data is available from the expense records to confirm the mode of travel and/or distance travelled. However, the cost of these journeys is known, so an estimate for the associated emissions has been included in the total based on the average emissions per GBP of travel from journeys where precise details are known. The distance of taxi journeys is not recorded in the expense records, so emissions have been estimated based on an average journey basis. Conversion factors are taken from BEIS/DEFRA, apart from the factors used for individual car models that are taken either from the car manufacturers or from the Vehicle Certification Agency.

Category 7: Employee Commuting

Accounts for 0.03% of Scope 3 GHG emissions. During the baseline year (2019/20) the average number of full-time equivalent staff employed by the Duchy was 108 (administrative 65, estate workers 12, nursery 24, housekeepers 7), based in our offices and trading enterprise sites.

Most staff in London commute using public transport, while those in the regional offices use private transport. Data is obtained from an annual staff survey. Emissions are calculated based on the distance travelled, mode of transport and each individual's own estimation of the number of commutes undertaken annually. Where the make and age of any car used are known, specific emission factors are used. Where these details are not known, the nearest equivalent or a default average value is used. For public transport, annual distances travelled are multiplied by the relevant emissions factors from BEIS/DEFRA.

Category 13: Downstream Leased Assets

Accounts for 90% of Scope 3 GHG emissions. This category includes the bulk of the Duchy estate that is let to tenants, the farms, land, residential and commercial property, marine and mineral assets.

The methodologies and data sources used differ by category, as set out below.

Land use and farming

Accounts for 62% of Scope 3 GHG emissions. GHG missions from all farms owned and let by the Duchy are included. This includes land-based GHG emissions as well as activity-based GHG emissions (mainly from fertilisers and livestock). Farming GHG emissions were calculated either using farm-specific Farm Carbon Toolkit assessments or, where these have yet to be undertaken, by in-house agricultural experts using primary livestock and land coverage data combined with secondary British Farm Business Survey data.

Peatland

Accounts for 24% of Scope 3 GHG emissions. GHG emissions were calculated by reference to a study of Dartmoor's peatland extent and condition undertaken in 2016 by The University of Exeter. The condition of peatland – whether wet, cut, drained or bare – has a significant impact on the associated emissions. In addition to Dartmoor, it is likely that peat soils also exist on Duchy-owned land on Bodmin Moor and the Somerset Levels. These have yet to be assessed. As they form part of let farms, data will be collected when the farm carbon footprint is carried out.

Emissions from buildings and land (Residential, Urban Commercial and Rural Commercial property)

Accounts for 5% of Scope 3 GHG emissions. For buildings, where primary energy-consumption data was available, emissions were calculated by combining energy data with the relevant GHG emissions factors from BEIS/DEFRA. Where primary energy-consumption data was not available (for the majority of properties), electricity and natural gas consumption per building was estimated using floor area or EPC code data based on the National Energy Efficiency Data-Framework (NEED) data tables.

Where it was more appropriate (e.g. for large or energy intensive properties), bespoke estimates of energy consumption were calculated. Once energy consumption was calculated, the same method as for primary data was followed to convert into GHG emissions. Emissions from land were calculated by combining hectarage (by land covering type) with the relevant factors from the Carbon Storage and Sequestration by Habitat 2021 report.

Foreshore and riverbed

Accounts for -1% of Scope 3 GHG emissions (i.e. representing a sequestration). Carbon sequestration in the Duchy's intertidal habitats was calculated by Professor Rick Stafford, Professor of Marine Biology and Conservation at Bournemouth University using data provided by the Duchy and from published sequestration rates in 2021 reports from Natural England and the British Ecological Society.

Trees, Woodlands and Forest

Accounts for -6% of Scope 3 GHG emissions (i.e. representing a sequestration). Carbon sequestration from woodland was independently calculated by Pryor & Rickett Silviculture using the standards set down in the Woodland Carbon Code.

Category 15: Financial Investments

Accounts for 4% of Scope 3 GHG emissions. This is composed partly of investments in share and bond portfolios, and partly of the Duchy's share of an investment in the Rainbarrow Farm Anaerobic Digestion (AD) Plant at Poundbury, Dorchester.

GHG category	Duchy category	GHG emissions (tCO_2e)
15: Financial investments	Ethical Global Equity Index Fund	1,454
	Ethical Global High Yield Bond Fund	5,585
	AD plant operational emissions	1,847
	Total	**8,886**

Surface area report

31st March 2022

The Duchy of Cornwall is a landed estate of 52,449.4 hectares.
The extent and distribution of the major land holdings at 31st March 2022 were as follows:

Devon	28,426.5
Cornwall	7,552.2
Hereford	5,367.7
Somerset	4,980.2
Isles of Scilly	1,607.0
Dorset	1,321.9
Wiltshire	1,253.4
Gloucestershire	657.5
Shropshire	393.2
Kent	349.1
Nottinghamshire	287.4
Oxfordshire	110.4
Carmarthenshire	95.9
Vale of Glamorgan	19.6
Greater London	10.1
Hertfordshire	7.0
Buckinghamshire	4.4
Norfolk	2.2
Essex	2.2
Berkshire	1.5
Total	**52,449.4**

DUCHY *of* CORNWALL

INTEGRATED ANNUAL REPORT

Year ended 31st March 2022

www.duchyofcornwall.org

Writing, design and production

The Duchy of Cornwall with Flag Communication Ltd.

www.flag.co.uk

Photography

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Hugh Petter / ADAM Architecture Des Harris
Finnbarr Webster Photography – www.finnbarrwebster.com
Charles Sainsbury-Plaice Photography – www.agripix.co.uk
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Printing

Printed by Nationwide Print using traditional skills and modern technology.

The printing inks are made using vegetable-based oils. As many waste elements as possible associated with this product will be recycled.

The paper used for this publication is made from 100% recovered fibre and is FSC® certified.

Front cover image

The front cover shows Aconbury Court in the Home Section of the Duchy's estates in Herefordshire. This includes St John the Baptist Church, a grade II* listed redundant church now part of the Duchy estate and due to be restored.

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