13 October 2011

Dear Convener

**SCOTLAND BILL COMMITTEE MEETING HELD ON 20 SEPTEMBER 2011**

We would like to thank the committee for the opportunity to give evidence at the above meeting. During the meeting, we were asked to supply certain additional material to the committee. This is set out below and we have put the bulkier material into a number of annexes.

The Convener also asked us to respond to anything that came up in the evidence taken after our appearance, which we have sought to do, offering clarification where appropriate. These comments are contained in Annex 4.

1. **Draft Highlands and Islands Memorandum of Understanding (MoU)**
   We provided a draft Memorandum of Understanding to the Highlands and Islands Councils in April 2011. Discussions on progressing this stalled following the Scottish Government consultation on community benefit but are now being reinstated. The draft is attached as Annex 1.

2. **Draft heads of terms for Scottish Government Memorandum of Understanding (MoU)**
   As we did not receive a response to the draft Heads of Terms for a Memorandum of Understanding with the Scottish Government we have yet to be able to pursue a formal Memorandum of Understanding. The Scottish Government confirmed to us that discussions on the MoU were suspended in December 2010. When we met the First Minister more recently on 21 September 2011 he indicated willingness to look again at an MoU, which we will progress accordingly. A copy of the draft Heads of Terms is attached as Annex 2.

3. **Comments on Fort Kinnaird evidence from Mr and Mrs Cuthbert**
   The Crown Estate, in its investment in the Gibraltar Limited Partnership, has not (a) breached the Crown Estate Act 1961 (b) assumed any liability for any debt, (c) circumvented the borrowing restriction in the 1961 Act or (d) taken any greater risk than applies in any property investment.

   An important feature of a limited partnership is that the maximum exposure of a limited partner, which is the status of The Crown Estate in the Gibraltar Limited Partnership, is limited to its capital investment. So, as the name suggests, a limited partner is not legally liable for the debts of the partnership. It may conveniently be considered as similar to the liability of a shareholder in a company. Further details and a commentary on the Cuthbert’s article is attached as annex 3.
We have reviewed the evidence given by Mr and Mrs Cuthbert on 13 September 2011 and as they are extensive they are attached as Annex 3.

4. **Explanation of the treatment of net revenue surplus figures in the Annual Scotland Report for the years from 2007/8**

Up until 2007/08 The Crown Estate reported the net revenue surplus contributed by Scotland to the overall UK-wide surplus paid to Treasury. As from 2008/09 the gross revenue surplus contributed by Scotland has been reported.

The reasons for this are:

- Gross revenue surplus for Scotland represents revenue earned from activities in Scotland less the direct costs of managing that revenue. Direct costs of management include managing agent fees, repairs and maintenance and other costs directly attributable to the properties located in Scotland.

- Net revenue surplus represents the gross revenue surplus less indirect costs and income, appropriations to capital and administration costs.

- When the net revenue surplus for Scotland was calculated prior to 2008/9 it included only administration costs directly attributable to Scottish based staff and the cost of their accommodation. It therefore did not include any allocation of headquarters costs provided to the Scottish office costs such as IT, HR or finance costs, nor any other centrally administered costs or revenues. As such the reported net revenue surplus for Scotland did not show the full cost of the operation.

- With the advent of our investment in UK-wide renewables from 2008/09, the costs of our staff (working in and across Scotland and England) were allocated on a UK-wide basis. Thus only gross surplus figures have been reported from 2008/09.

5. **Number of Agricultural tenancy Right to Buy Applications registered**

There are currently 43 Right to Buy applications registered in respect of all our Rural Estates in Scotland.

If there is anything else on which you would like us to submit additional information please let me know.

Yours sincerely

ALAN LAIDLAW

Head of New Business Development, Rural Estate
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| Annex 1 | Draft Memorandum of Understanding with Highlands and Islands Councils |
| Annex 2 | Draft Heads of Terms for a Memorandum of Understanding with the Scottish Government issued by The Crown Estate |
| Annex 3 | Comments on Fort Kinnaird evidence from Mr and Mrs Cuthbert |
| Annex 4 | Additional comments on evidence of other witnesses. The column reference is to the Official report of the Committee meeting |
| Annex 5 | Letter of 3 October to Linda Fabiani clarifying the position on the strategic environmental assessment point raised by Calum Davidson. |