



Scottish Affairs Committee

Oral evidence: The Crown Estate in Scotland Follow Up, HC 889-I

Tuesday 3 December 2013

Ordered by the House of Commons to be published on 3 December 2013.

Members present: Mr Ian Davidson (Chair); Mike Crockart; Jim McGovern; Graeme Morrice; Sir James Paice; Mr Alan Reid; Lindsay Roy.

Questions 1 - 109

Witnesses: **Alison Nimmo**, Chief Executive, The Crown Estate, **Gareth Baird**, Scottish Commissioner, The Crown Estate, **Ronnie Quinn**, Energy and Infrastructure Lead for Scotland, The Crown Estate, and **Alan Laidlaw**, Scotland Rural and Coastal Portfolio Manager, The Crown Estate, gave evidence.

Q1 Chair: I welcome you to this meeting of the Scottish Affairs Committee. As you know, we undertook an investigation and produced a report about the Crown Estate in 2012; we are now revisiting it. We have had a fair chunk of evidence given to us by various people yesterday, formally and informally, about the operations of the Crown Estate, and obviously we want now to speak to yourselves with a view to producing another report to indicate to the Government whether or not we believe any of the objectives we identified in our previous report have now been achieved or whether or not we just want to stick to the proposals that we had originally.

I wonder if I could ask you—start with Alison—just to introduce yourselves and say what role you have in the organisation so that we know who we have here.

Alison Nimmo: I am Alison Nimmo, the Chief Executive of the Crown Estate. Ronnie, do you want to introduce yourself?

Ronnie Quinn: Yes. I am Ronnie Quinn. I am the Portfolio Development Manager for E&I, Energy and Infrastructure, Lead for Scotland.

Gareth Baird: I am Gareth Baird. I am the Scottish Commissioner for the Crown Estate.

Alan Laidlaw: Alan Laidlaw. I look after the Rural and Coastal Portfolio in Scotland.

Q2 Chair: Thank you ever so much. Can I start off just by asking whether or not you believe that it is fair to say that since 2012, our report, there has been very little real change of substance in the operations of the Crown Estate in Scotland, and while there has been a

certain amount of PR improvement and enhancement, there has been very little major change in the way that you operate?

Alison Nimmo: Chairman, if you will permit us, we would like to make an opening statement, which I think addresses some of the changes.

Q3 Chair: How long?

Alison Nimmo: Just a very short opening statement. The Scottish Commissioner would like to do that.

Chair: All right.

Gareth Baird: Thank you. We would like to thank the Committee for inviting us here today. We see these sessions as useful opportunities to update parliamentarians on our business.

Since your original inquiry, we have appointed a new Chief Executive, Alison Nimmo, a Scot, who is here with us today. Alison is a regular visitor to Scotland and has brought with her new energy and focus, supporting the team to deliver what I see as a step change in how we approach our activities here. I was pleased to see that this was recognised by the Secretary of State for Scotland when you met him last month. In that time, I have also been reappointed as Commissioner with special responsibility for Scotland. This has given me a strong platform to engage actively across Scotland.

We are pleased to be able to report today on the actions we have taken in response to your recommendations. While a number of these, such as the proposed devolution of the Crown Estate, are clearly a matter for Government and for you as legislators, we have made significant progress against those recommendations that do follow within our remit. We have concluded transfers for historic sites and ancient rights, and increased our accountability, with evidence to three parliamentary Committees in the last year.

We have gone further, though. Our local management agreements, launched here in Inverness, now offer access for local communities to oversee coastal assets within their areas. Our Act dictates that we remain a commercial organisation. We are not a social enterprise or an economic development agency. This is often a source of contention, but in pursuing our business interests we remain a key player and investor in unlocking sustainable economic growth right across Scotland.

The expertise we have in our Scotland team, combined with our UK role, has enabled us to deliver a number of firsts for Scotland, recently including a new-generation offshore wind project with Samsung and a floating wind opportunity with Statoil, to the Goldeneye agreement with Shell on carbon capture and storage. We are looking forward to exploring these issues in more detail and assisting you in your parliamentary duties. Thank you.

Q4 Chair: Fine. Coming back to the question of what has changed, can you just clarify what has changed in terms of transparency and accountability, which caused so much concern when we did our previous inquiry?

Alison Nimmo: A great focus by the Scottish Commissioner in terms of getting out and about, really listening—*[Interruption.]* I wondered on earth that was. Vampire bat.

Chair: Do you bring that with you as a distraction? Sorry, for Hansard, for the record, a butterfly—I think it is a butterfly—flew about the room at that point. It is a moth. Sorry, it is a moth.

Alison Nimmo: I think Gareth's role as Scottish Commissioner has given a real focus to our activities in Scotland, and we have reshaped the business, particularly here in Scotland, in terms of the Rural and Coastal Portfolio and created a new Energy and Infrastructure Portfolio, so we can really focus our energy and efforts and get out there and really engage and talk to people. Much more active in terms of getting out and talking to people.

In terms of the information in our Scotland report and on our website, making a lot more information available, getting out and talking to people. The Scottish Liaison Group I think is really bedding in now and really improving our engagement. Then we have rolled out a number of things around things like local management agreements, where we are really trying to address some of the issues in terms of transparency, accountability and local empowerment.

Q5 Chair: All right, but both formal and informal evidence that we had yesterday seemed to indicate that nothing had really changed of substance—that there were some presentational enhancements, but there was really no greater degree of involvement of the local community in decision-making. There was a smoother, they conceded, PR approach, but the substance of involvement, consultation and discussion had not improved very much. How do you respond to that?

Alison Nimmo: That is not the evidence that I have been seeing within the business and the amount of energy and effort that the team in Scotland have been putting in. Alan, for example, is now dedicated within Scotland. Gareth, I don't know if you want to say anything about the Scottish Liaison Group. I think that has created a real step change.

Gareth Baird: Yes. Within our Scottish Liaison Group we have over 20 stakeholders there, from COSLA right through to sectoral interests. Over the last year, in fact prior to this year, we felt to some extent that the Scottish Liaison Group had become a victim of its own success, inasmuch as we were having a very full attendance at the two meetings we had a year with the Scottish Liaison Group.

Because there is such a wide range of interests in that, the discussion around these particular interests logically had to be pretty broad and shallow, and we were certainly feeling that this liaison group had gone past where it had been designed to be. What we have done is set up sectoral groups within the Scottish Liaison Group, which involves us going out to meet specific sectors. We have met all the energy community. We have met the aquaculture community. There has been a colossal amount of work in meeting local authorities both individually and at COSLA level, so we are going out to them to do it in a much deeper fashion.

I am very disappointed to hear that people think that this is a PR stunt. It is not at all. With the resource that we have, we are spending an enormous amount of time getting out among people and travelling huge mileage to do so.

Alison Nimmo: I have been very active in that. One of the things I wanted to do as the new Chief Executive was to come and listen to what people were saying about the Crown Estate and how we could respond to that. This is my fourth visit to Inverness, for example. We launched our LMAs up here. We are very active, Ronnie particularly on our offshore activities. He is travelling up and down Scotland, and his team are being very active, getting out and about.

Q6 Chair: Can I just clarify a couple of points? You talk about meeting the industry groups, for example, for energy. That is presumably companies, is it, as distinct from people?

Ronnie Quinn: Well, people we are meeting within the companies. If I can perhaps roll the last question and this one together, as an example of engagement for the recent testing and demonstration runs for both wave and tidal and offshore wind, we met in excess of about 35 organisations. Those include the Scottish Government, Marine Scotland, Scottish Enterprise, Highlands and Islands Enterprise, Historic Scotland, SEPA, SNH, Northern Lighthouse Board, Scottish Fisheries Federation, Orkney Fisheries Society, Orkney Fisheries Association, Inshore Fisheries Group, RYA Scotland, Argyll and Bute Council, Western Isles Council, Dumfries and Galloway Council, North Ayrshire Council, Highland Council, Orkney Islands Council, Shetland Islands Council, Moray Council, Angus Council, Aberdeenshire Council, South Ayrshire Council, Scottish Renewables—

Alison Nimmo: I think they have the idea. We can provide you with a list. We have been up to Orkney, for example. We took half the board up to Orkney and met a range of stakeholders, people involved in the ministry of the local authority. I have met, for example, Community Land for Scotland—

Q7 Chair: Can we have the minutes of all these meetings? Like stakeholders' meetings—are they available on your website?

Ronnie Quinn: These are not minuted. These are not engagements. This is us speaking about—

Q8 Chair: No, I understand that may not be appropriate. Just coming back to the stakeholder meetings that you mentioned, are they publicly available?

Gareth Baird: Minutes are not taken at the Liaison Group meetings.

Q9 Chair: How do you know what happened, then?

Gareth Baird: There is a note made, but not a formal minute.

Q10 Chair: There is a note made, but that is not made publicly available?

Gareth Baird: I do not think there is too much—

Alan Laidlaw: It can be.

Gareth Baird: It can be, yes.

Q11 Chair: No, but it is not, is the point. If people from the outside want to find out what is going on, the fact that you take a note is not informative to anybody who was not at the meeting, so that if anybody wants to identify what it is you are doing, there is no way that they can look and check what the agenda and discussion was at the stakeholder meetings. Is that correct?

Alison Nimmo: Yes, they are not formal, certainly, these meetings.

Q12 Lindsay Roy: One of the witnesses yesterday suggested there was not very much at a local level. He did not say the word “broken”, but I think that was in his mind when he talked about the level of consultation.

Alison Nimmo: We are a relatively small organisation, and given the scale and geography of what is happening in Scotland, it is just not realistic for us to talk to all the communities all of the time. What we have been trying to do, certainly this year, is engage better with third parties. So, for example, Highland and Islands Enterprise, Scottish Enterprise, the local authorities, people like CSL, where we can say, “Can you help us work with the community?” They already have existing partnerships and existing relationships to try to piggyback that. We cannot be everywhere, doing everything.

Q13 Lindsay Roy: Is that a confirmation, then, that it is a problem?

Gareth Baird: Could I just go on about this, please? Our door is always open, and we will make every effort we can to get out to communities. We just had a retender with our managing agents. They have very, very clear instructions to get out and about as much as they possibly can. We have a team of 38 people in Scotland. For instance, just recently we produced a toolkit for working with customers and communities that is all about marine stewardship fund, local management agreements, moorings. It is all in the website. I have never in my experience, going into my fifth year now, heard of anybody that has been rebuffed in making contact with us. We are desperate to hear from people. As Alison says, they are very widespread geographically in Scotland. We just cannot get into every community.

Q14 Lindsay Roy: I am hearing from people that when you do meet, it is more about imparting information than necessarily taking views.

Alan Laidlaw: If I could just say, what our team do on the rural and coastal side of things is about listening to what people want to achieve on those assets. We have to work in partnership, whether it be individual tenants on the rural estates or communities or moorings. That is all about listening. We could not achieve what they want to achieve if we did not listen.

When people make contact—I can think of an example last Monday, where someone phoned up about an LMA. They had heard about local management agreements in the press and the announcement that we did last November through the toolkit, but they wanted to know a little bit more about them. That discussion and the follow-ups from that are all about listening about what they want to achieve in their part of Scotland. That is what we have to make sure, when people come to us and say, “We have an idea”. Not everyone goes around their day-to-day business thinking about some of the assets that we manage. Sometimes it is new to them and they want to know, so when they do make

contact, we make sure that the local team get to see them as quickly as we can and my team catch up with them as best they can thereafter.

One of the most recent local management agreements started with a phone call, saying, “This is going to be a challenge because we do not know where to start from”, and ended up with an LMA and them being fairly happy with what they got because we listened to them, we structured things how they wanted them to be structured, and got delivery on the ground for them that then meant that they could go unlock funding and agreements from other locations.

The E&I team do a lot of work in terms of information days. Ronnie and some of the team were up north the other day, making sure that in terms of open consultation—and Marine Scotland have had a whole series of events talking about marine planning going forward over the next couple of years, and our team were in Tyrie, Campbeltown and various other places, at those meetings, available for that informal engagement, so people can say in their village hall on a Friday night, “I don’t understand what the Crown Estate does”. Our team spends a lot of time doing that, and we have been very clear to the organisations and the third party groups that we have been discussing that we want to pass that message down and we want their help to make sure that is a proper exchange. I don’t know, Ronnie, if you want to talk about the information.

Gareth Baird: Could I make one more point about the top-down element? I think when we met you last year we were maybe in the process of constructing our Scottish Management Board, which I chair. This meets four times a year, and our leadership team in Edinburgh run it, and Esther Black, and Communications Manager, sits on that, as well as Alison and all our executive directors.

The remit within which the Scottish Management Board operates is obviously with the vast resource that we have throughout the United Kingdom to help, but there has been a huge amount of authority delegated to the Scottish Management Board and to our leadership team. I think, top-down, it may well be that your contributor yesterday was not aware of that, but this is a predominantly Scottish-managed operation in Scotland now for the Crown Estate.

Q15 Chair: I think, to be fair, we take the view that if people on the ground are not aware of something, that is not their fault—it is your fault.

Gareth Baird: No, I am not blaming them. We are asking local authorities, our managing agents, everybody, to help us get that message out.

Alison Nimmo: Could we communicate better—

Q16 Jim McGovern: It seems you are implying that the evidence we received yesterday was inaccurate.

Gareth Baird: No. If that is their perception, that is fine. What I am trying to convey to you is that there is a colossal effort from a finite resource in Scotland to get the message out about what the Crown Estate is doing.

Q17 Jim McGovern: You are very much reactive, rather than proactive?

Gareth Baird: No. Not at all.

Alison Nimmo: No. I think we have been proactive. Could we do more? Yes. Could we have been more effective? Yes. If you have any ideas, and if anything came out of the evidence sessions yesterday where people think there are specific gaps or whether we can do more, we are very open to ideas and looking at that.

Q18 Jim McGovern: When somebody says, “Our door is always open”, it would suggest that, “If somebody asks us something, we will answer it”, but if you do not ask, you will not get.

Alison Nimmo: As I say, we are trying to work through third parties as well to look at our assets and look at the ambitions for Scotland and where we can make a real strategic difference. We are really focusing on energies and energy space, offshore energy, aquaculture and agriculture, and then tourism, and things like marine tourism, or cycle tracks up in Glenlivet, where we can make a real difference in more remote communities.

Q19 Jim McGovern: One of the people we took evidence from yesterday, who is a council leader, said that not very much had changed. Is he lying?

Alison Nimmo: No. I don’t know whom you took evidence from yesterday. Our activities are very diverse across Scotland, and we would hope that you are taking evidence from the industry, as well as communities, as well as leaders across Scotland.

Q20 Chair: It was Angus Campbell from Western Isles, and he said he was speaking on behalf of Orkney and Shetland as well. They were saying that, as far as they could see, nothing much had happened at all. I think we have to take that seriously.

Alison Nimmo: You do have to take that seriously, but I would like Ronnie to come back on that. We were up in Orkney with half of the board in May this year. I was with them. We were very much in listening mode. We are very active, for example, in Pentland Firth and Orkney waters, as you know, on wave and tidal, which we see as a real strategic role for us to play in moving that forward as an industry, and obviously very active more generally in offshore. Ronnie, do you want to?

Ronnie Quinn: Yes. I would not want to bore the Committee again with another long list, but suffice to say that there have been a significant number of engagements. If I can take Orkney in particular, we have had a number of meetings with Orkney about formalising that engagement in some way, and that has not yet been taken up, I do not believe. We are very keen to take that forward and build on that.

Alison Nimmo: Ronnie and I met the—

Q21 Chair: It is a year and a half since we produced the report, and we had a council leader speaking on behalf of three councils, saying that, as far as they are concerned, nothing much has changed. I think you can understand this causes us a fair amount of concern.

Ronnie Quinn: Yes, I appreciate that, Chairman. Without knowing the specifics of what was said, I can see that—and I can go through this list, if it would help. If we can take it

that there was a considerable amount of engagement in all three council areas, it may not have always been with the leader of the council, in fairness, but it is with officials, it is with other people in those areas, and—

Q22 Chair: Sorry. I am sure you are aware that a meeting and an engagement are not necessarily the same thing. It is a question of whether or not there is two-way traffic and communication. Moving on, you do not produce separate accounts for Scotland, do you? You are not doing that at all.

Alison Nimmo: We produce a Scottish report, which sets out in quite a fine level of detail our activities in Scotland and where we invest and the revenues.

Q23 Chair: That is right, but you do not produce separate Scottish accounts.

Alison Nimmo: We do not, no.

Q24 Chair: In the report that you gave us, it said, if I remember correctly, “in line with standard practice”, you do not produce Scottish accounts. I was not quite sure what standard practice you were referring to.

Alison Nimmo: As a UK-wide operation and organisation, we do not look at different geographies and break down net costs on a regional, geographic basis.

Q25 Chair: So, the standard practice to which you are referring, then, is other UK-wide organisations—

Alison Nimmo: That is right.

Chair: —that you are saying do not produce Scotland-only accounts?

Alison Nimmo: In general.

Q26 Chair: There is a phrase that you have here—“in line with standard practice”. I was not clear what standard practice you were referring to, since there a number of national organisations who do produce Scottish-only accounts. I was not sure if you were putting yourself in a different subset.

Alison Nimmo: Our business model is a UK-wide one. We do not have a separate Scottish business with separate Scottish accounts.

Q27 Mike Crockart: You mentioned in your opening remarks what Alistair Carmichael had already said, that Alison, as new Chief Executive, you brought a very different approach, a willingness to engage. Can you widen out what that means? What are you doing that is different from your predecessor?

Alison Nimmo: What we have been looking at is being in response to what are the recommendations of the Committee, as well as in response to what people have been saying as I have been out and about in Scotland talking to people. There are a number of things that we have been doing.

For the wider organisation, articulating a very clear, new, 10-year vision in Scotland, very much supporting the team in Scotland and empowering them to be getting out there and feeling confident about doing business and that they can get on and be in control of the business in Scotland, and being really clear and articulating much more clearly what our role is in Scotland and what our key priorities are in Scotland. I think people are confused about our role, and we are quite complicated as an organisation. To really just try to simply that and improve our levels of engagement.

As I say, looking at how we can really add value where we think there are real strategic opportunities, so very much focused on our offshore energy business, be that wave and tidal, offshore wind, carbon capture and storage. Gareth talked about a number of the issues. So, where we can really add strategic value, aquaculture and agriculture, with Glenlivet being an exemplar in what we do, and then focusing on tourism. Really looking at where we can add strategic value, and then allowing the team the investment in the tools to be getting out there and delivering, and, as Gareth said, using vehicles like Scottish Management Board to really focus in. We have put together a clear business plan for our activities in Scotland called Working for Scotland.

Q28 Mike Crockart: I am really talking about giving a longer-term strategic vision—a plan.

Alison Nimmo: Being clear about what we do and how we do it, so I talked a bit more about collaboration and partnership, working with other agencies here in Scotland. We cannot do everything everywhere. We are a relatively small organisation. I think we need to be a bit more agile about what we do, as Gareth was alluding to. There is quite a lot of frustration out there that we are not an economic development agency and we do not give out grants and so on, and that we are a commercial organisation. Nobody likes the landlord. It is really looking at how we can work more effectively with others that do have that remit to deliver.

Q29 Mike Crockart: You make it quite clear that you are a commercial organisation, yet you are using the language of adding value, which does to me look far more like a social enterprise although you saying you are not a social enterprise. Which are you? There is a strategic vision and it is all about making money and having a 10-year business plan and you being a successful company. If that is what you are doing, that is very good, but adding value does not seem to fit quite within that vision.

Alison Nimmo: Our starting point has to be the mandate we have been given by Parliament, which is a commercial mandate, and we do that with good management. For example, where I am talking about added value, our investment in offshore, so growing a whole new industry for Scotland and playing our role in helping to unlock that potential—

Q30 Mike Crockart: That is making profit; that is not adding value. “Adding value” is language much more used in public interest, community interest.

Alison Nimmo: I am sorry—I disagree. I would like Ronnie to talk a little bit more about what we are doing offshore, and I think it is adding significant value, but we are doing it from a commercial starting point. That is long-term, patient, capital investment in creating a new industry for the UK and particularly here in Scotland. That is significant, long-term

investment by the Crown Estate over time in terms of unlocking that potential, but at the same time then creating added value for our estate and the assets that we manage. Do you want to say a bit more about that, Ronnie?

Ronnie Quinn: I think you covered that very well, Alison. If I can go into the offshore wind in particular, we are now in a position where there are a number of projects in Marine Scotland awaiting consent. A significant amount of money has been spent in Scotland already to get these projects as far as into Marine Scotland. That has an impact. We are developing a degree of expertise in Scotland. That is being utilised in the greater UK, and indeed now in northern Europe and further afield. That is not insignificant.

We have also published a UK report on our total contribution and tried to evaluate what that input across the piece is, and it is very significant.

Alan Laidlaw: If I can just add to what Ronnie said, in terms of our operation in remote communities, I would probably like to say that working with individuals and others can create value for both. In terms of working collaboratively with our tenants and with occupiers of our assets, we can add value to both, so we get a commercial return and we deliver what we are bound to deliver, but at the same time, by adding our experience, strategic planning and marine spatial issues by experience across the industry and wider Scotland, we can help unlock more of those assets.

All of how we structure our transactions is to better what our operator, tenant, occupier does. We would do better. I think that is where the difference is in terms of creating those opportunities. If it is investing new equipment, we put capital investment into new equipment. That means that the business is more efficient and able to deliver more, and that gets an increase in return for us as well. I do not personally see the distinction between us delivering our commercial value and delivering on behalf of the users of our assets.

Q31 Graeme Morrice: I am going to follow on the line of questioning from Mike there in terms of the change of approach. To ask Gareth, as the continuity on the panel, what tangible evidence have you seen in relation to this change in approach? How have you seen this impact on the day-to-day operations of the Crown Estate Commissioners here in Scotland?

Gareth Baird: I get out and about as much as I possibly can, and with Alan I had two and a half days in the Western Isles last summer. Alison has already referred to our trip to Orkney; we had more than half the board there back in May. I would like to think I am approachable in the first instance. I do get a lot of letters from our stakeholders—sometimes with concerns, sometimes with suggestions—which go straight to the team and out to our managing agents and all of the rest of it to make sure that any issues are covered.

I think the best example I can give you of how we are getting our message out and how we are communicating properly—for the last two years we have brought our whole board to Edinburgh for a board meeting. Following that, in the afternoon we have had a stakeholders' workshop, and in the evening we have held a reception in Dynamic Earth.

The first one, we were pleasantly pleased, I think, with the reaction and attendance we got for that. This year's one was just excellent in terms of breadth of attendance at the reception. We got a chance to engage, and I may say our whole board, our whole Scottish team was there, our whole executive board was there, and we spoke to an enormous amount of people that evening. The vibes we were getting were increasingly positive. Alison said before that we are not getting everything right. We would not ever think that, but the direction of travel, I hope, is right. When I am out with the team, the level of engagement I think is increasingly open, and I hope that our stakeholders understand they can come to me and make any comments, certainly through the Scottish Liaison Group, which has a representation right across Scotland. These men and women attend these meetings, they do not hold back, and that is great.

As we develop these sectoral meetings and get out and among these people, that will increase. I may say that the energy and infrastructure subsector group, which obviously was the power companies, the renewable companies and the developers—we had RSPB there. We had the fishermen. There were a whole raft of stakeholders affected by what is happening in the marine estate. Some real straight talking went on. For me, that was enormously informative and it helps the way that we deliver our strategy and policy in Scotland.

Q32 Chair: In terms of the make-up of your reception in Edinburgh, the sort of people that we saw here yesterday, by and large, I think it is fair to say, are not the sort of folk that either would have been invited to or would bother going to a reception in Edinburgh. It is quite a trek and all the rest of it. Do you not think you are just spending time talking to people with whom you have a commercial relationship, rather than those that are being impacted by your policies?

Gareth Baird: I do not think that is right, Mr Chairman. I assure you that the three islands' councils have attended the reception. We speak to them face-to-face, and if they are really unhappy with what we are doing, we should be hearing that. The breadth of attendees at these receptions has been extraordinary—people travelling a long way to come and see us in Edinburgh. We will have to hold it somewhere, and when the whole board is there it seems logical to do that. What we have found is that a lot of the local authorities and other stakeholders have been gathering other business in Edinburgh to make more of their trip.

Q33 Mr Reid: We understand there are three local management agreements in place. How many more are in the pipeline?

Alan Laidlaw: As you say, we have the three signed. There are five in active discussion—that is, we have suggested documentation to them. There is another handful where people have taken away the information and are in consideration, and there are some more in which managing agents have mentioned the topic and sown the seed with the community or the group about that.

Some of these discussions do take a while in terms of the community developing their views. From where I want to be, when they make a phone call or an email or however they get in touch with us, we respond to them very quickly. One of the LMAs, in terms of drafting and documentation, was in place in six weeks. It allowed the organisation to go forward with their own ideas. It is a work in progress.

One of our members at the SLG last week said, “We understand the process. We understand what the LMA has been designed to do. We are just working with our members to bring forward ideas”, which is positive from our point of view. Would we like to see more? Yes, we would, and if there are organisations out there that we have not yet met, we would be happy to sit down with them.

At a meeting that Alison attended with HIE a couple of months ago, they were trying to identify—what they call “account-managed communities”, so they already have capacity in there—where we can jointly work together to help push LMAs into those areas. I think they really work for people who want to do more with the assets in their local areas.

One of the things that is happening quite significantly at the moment is that community organisations are taking control of assets from councils and other bodies because of the funding cuts, and they are wanting to create something around that. One of our LMAs in discussion, the Kyle of Lochalsh is exactly that, and we are helping unlock some potential there. Mike asked about adding value. They had not really crystallised their thoughts as to what success looked like, so we have put some seed corn into that funding to help them develop their plans and unlock slightly more than they possibly would have, but that is not a signed LMA yet.

Q34 Mr Reid: Can you give us an example, then, of how consultation with the local community has shaped it for the better?

Alan Laidlaw: I think Gigha is probably a really good example. That was the call that started with a person who we thought, from historic positions, would know a little bit about the Crown Estate, and he said, “Look, this is what I am trying to do. I don’t know where to start. I don’t know what the legal structure is”. I said, “It sounds to me like an LMA allows you to develop your thoughts”. We sat down. This was the project officer appointed by them.

We spoke with them and really engaged with what they wanted to achieve. We then went out and spent some time with the chair and other members of the Gigha Heritage Trust and talked about their ideas, and tried to use the experience that our team have on the ground elsewhere, and said, “Funding has been unlocked by another group up the West Coast”, and this sort of thing. “You might want to try this technology. These are the people who—engineering solutions.”

Marine engineering is relatively specialised. We were able to say to them, “Look, this is what other communities have benefited from”. That helped them develop their thoughts, and we had a really wide-ranging discussion with them. We have helped put more activity into them to promote themselves, promote their offering through some of the yachting press and things like that we have connections with. It is quite small stuff, but it is about helping them with their aspirations to deliver more. I think Gigha would probably be quite a good example.

Q35 Mr Reid: You are saying that they feel that there has been a high degree of ownership around that?

Alan Laidlaw: Sorry, I did not catch that point.

Mr Reid: Do you feel there has been a high degree of ownership by them in the development?

Alan Laidlaw: Oh, yes, absolutely. Yes.

Q36 Mr Reid: You say there is a huge “us” in this development.

Alan Laidlaw: I think there is a lot of “us” helping them develop their thoughts and go forward. As those thoughts crystallise, if you look at the Lochmaddy agreement with Comman na Mara, that has been a process that they have driven on the ground because they want to achieve those, but we have given them massive support in terms of advice, in terms of planning, in terms of tech and that side of things, and it is a partnership.

Q37 Mr Reid: In effect, you are saying you have been a catalyst for change?

Alan Laidlaw: I believe so, yes.

Gareth Baird: Could I expand, perhaps? Alan referred to one of our Scottish Liaison Group member’s discussion last week. This member is involved in marine tourism and leisure on the west coast of Scotland, and he and his colleagues are trying to pool their organisation together into a better structure. It is extraordinary, the research they have done on that—what they have called “a string of pearls” on the west coast of Scotland. They understand now that the average daily sail is 26 miles, so what they are trying to develop is to get the wealth—quite a lot of wealth—on board these vessels on to land, on to the coastal communities. What this gentleman said was, “When we have our structure and our plan worked out, the LMAs will provide absolute perfect vehicle for us to come to you and do this business plan for the west coast of Scotland”. There is the bit that Alan was talking about, the joining up between what we can offer to help them structure that.

Alison Nimmo: Part of that is about local empowerment, so we are also talking to local authorities about master agreements, regulating leases, all sorts of other vehicles where we can improve local management and co-ordination of assets that we manage.

Q38 Chair: Can I pick up a couple of points about LMAs? Are you finished with that, Lindsay? You mentioned earlier on, I think, about seed corn at one point. I am not clear. Is that you giving a donation to organisations?

Alan Laidlaw: No, it is about unlocking their plans. We are investing a small amount of money in them for them to develop interests that will give us a return.

Q39 Chair: Sorry, what does “invest” mean in that context? Are you giving them the money, or do you expect to get it back?

Alan Laidlaw: In terms of that process there, it is about doing a feasibility study for them to create an asset. From our point of view, it is an investment in looking to create an asset in our—

Q40 Chair: I just want to be clear. You pay for the feasibility study?

Alan Laidlaw: We are supporting them. We are not meeting it all. We are jointly investing with them.

Q41 Chair: All right. It is not a loan? I just want to be clear.

Alan Laidlaw: No. It is about creating. It is about allowing them to use—

Q42 Chair: All right, so you are spending some money there. Could I just clarify? We had some uncertainty about the £380,000 that you referred to in your report to us at Lochmaddy. Was that a grant to the organisation? You say here, “We recently announced the £380,000 investment in the development at Lochmaddy, North Uist”. When you say “investment” there, are you intending to get your money back? If so, how?

Alan Laidlaw: Yes. There is an agreement to get returns from that, and it is based on the success of the pontoons and the structures that they are putting in. It is a turnover-based return.

Q43 Chair: All right. When we saw people yesterday, they were reflecting to us that there seemed to be some uncertainty—initially they thought it was a grant, and now they say it turns out to be a loan because they have to pay you back.

Alan Laidlaw: I can absolutely guarantee that in the people that we have been dealing with in the association, the chairman and the secretary, there has been no uncertainty about the format of the structure that we have been discussing. There have been a number of people who have not been as close to the transaction, who have not been aware of what has been discussed, but from day one the terms of the agreement and terms of the structure have always remained the same with the group itself.

Q44 Sir James Paice: Can we be a bit more precise about what that is? You have put whatever it was, a large sum of money in.

Alan Laidlaw: Yes.

Q45 Sir James Paice: Are you intending at any time to get that lump sum back, or are you just going to get some form of dividend or share of margin or return in that?

Alan Laidlaw: It is a turnover-based return, and we hope that, on the predictions of the group and the work that we have done with them, there will be full repayment through the turnover. If it is not successful—the length of term is variable. If they are exceptionally successful and want to repay early, they can. It is a lease that is structured for them to have the greatest flexibility to make it happen, and then to get the returns back to us over the long term.

Q46 Lindsay Roy: Can you tell us if the loans are at a preferential rate compared to what you could get from banks?

Alan Laidlaw: My background is ex-finance, and quite a lot of the discussion about our investment is, “We can get this better from X bank”. Invariably, we have those discussions, and people, when they are negotiating, want to get something as cheaply as they can. Quite often organisations go away to get the funding cheaper from banks and

then come back to us, so it does not always stand that they can get them. It is not a preferential rate; it is at a term that we believe reflects the risk that we are taking and the structure that we are putting in place, so there is a headline rate and then a discount for preference that looks at the risk and reward ratio.

People will often say that they can get funding cheaper from banks, but it is quite often unsecured lending in risky marine environments with an uncertain business plan. I find that bank funding is quite difficult to come by some of these smaller community projects. If you are looking at infrastructure projects, like large ports and harbours, the headline borrowing rates will be quite low, but there is a huge difference there in terms of the covenant of the businesses that are borrowing, the risk profile that they are offering, and whether or not the bank has an appetite.

Q47 Lindsay Roy: Why can there not be a preferential loan rate?

Alan Laidlaw: I think it is back to the point that I am bound to get a return on what my investments made in Scotland are. One of the points that Alison made was about letting us get on and run the business. I have absolute time to focus and grow the rural and coastal business in Scotland. I am a driven individual. Would I like to see that doing more and being more successful? Yes. How can I do that? I can only do that by working with these groups and organisations, and we need to make sure that the structure of the transactions works for both of us.

If we put something in that is too high, the project will not happen at all. The funding that we have put in at Lochmaddy I think is structured well. It makes the project happen. The group themselves are very pleased with the results. Hopefully, next summer, people will be visiting the area more easily and having a better experience than they have been able to in the past, and that is success.

Q48 Chair: I understand the merits of the scheme, but there was uncertainty about it yesterday. As I understand it now, you are providing this £380,000; you are charging them a rate of interest; you intend over a period, which might be variable depending on how things progress, to get all your money back plus the interest. Is that correct?

Alan Laidlaw: If successful. It is a turnover-based approach.

Q49 Chair: No, no. Fine. I just wanted to be clear about that. There were those who were under the misapprehension initially that this was an investment in the community, as distinct from a commercial investment. You can see how that then causes them uncertainty and disappointment when it turns out that they have to pay the money back.

Alan Laidlaw: I think the group that started off the process know exactly what was agreed from the start, and it is making something happen that might not have happened.

Chair: All right. I understand that.

Q50 Lindsay Roy: Can you tell us why the relevant ministerial meeting has not yet taken place?

Alison Nimmo: The executive level group met earlier this year and set out the agenda and got the machinery in place. We have made ourselves available. The Government is setting up the meetings. There was due to be a meeting last month with the new Secretary of State for Scotland and a new Minister for the Crown Estate, but unfortunately the meeting got postponed. It is now due to take place just before Christmas.

Q51 Lindsay Roy: Can you tell us what the terms of reference are?

Alison Nimmo: I cannot off the top of my head, but we can send those to you.

Q52 Chair: Let me just be clear, then. The response to the report, because this was promised, has not happened at all. There has been one meeting only of, as it were, the sherpas, the officials on all sides, but nothing else?

Alison Nimmo: We have made ourselves available. A lot of dates have been put forward. A lot of times the meeting has been scheduled and then for—

Q53 Chair: No, I am not saying that this in particular is your fault. I just want to be clear that it hasn't happened.

Alison Nimmo: I am just trying to explain that it is not from lack of effort on everyone's part, but due to ministerial availability.

Q54 Lindsay Roy: Have the terms of reference been gone through?

Alison Nimmo: I think it was the executive level group met and they went through the terms of reference, so yes. It is basically a way of being more accountable and being more transparent and being really clear about what we are doing in Scotland.

Q55 Lindsay Roy: You can send us a copy of the terms of reference?

Alison Nimmo: We are happy to do that, yes.

Q56 Jim McGovern: First of all, Chair, can I just go back to the previous point that Alan was speaking about? I now realise that obviously it was not a grant, but is it an investment or a loan? It is an easy question. Which is it?

Alan Laidlaw: It is an investment from our point of view, and it is structured as a lease. What it does is it gives them—

Q57 Jim McGovern: Investment or loan?

Alan Laidlaw: From our point of view, it is an investment.

Q58 Jim McGovern: I am not particularly financially minded, but I would have thought, if I invested in something, then at some stage in the future I can sell shares I have bought for this and try to get the money back. What exactly is this? Is it along those lines? Invested in shares?

Alan Laidlaw: No. We have given them the capital to get the project off the ground, but there are structures through a lease, so it makes sure that it is turnover-based, so our return is based on their—if it was just a pure loan, it would say, “We have offered this amount of money, and each repayment is based on an amortisation model”. The way we have structured it is it depends on the success of the resource on the ground, so there is some risk there for us. If it was a loan, it would be £100 a month for the next X months, but at the moment we do not know what our direct return will be because it will fluctuate in terms of the success of the venture itself. That is where we are taking a longer-term view.

We have flexible terms so that the agreement can—if they were hyper-successful and went on fire the next 10 years, they would be able to pay back faster. If it does not succeed in any way, shape or form, which none of us hopes will be the case, then we have taken a risk and might not get all of our capital back.

Q59 Jim McGovern: Any elected member or organisation who thought that it was a grant quite simply misunderstood?

Alison Nimmo: Like I say, it is early days with local management agreements, and we have set out three pilots. It could end up being very different structures to do very different things. They might not even be commercial, so an LMA could be used, for example, for an environmental project or wildlife project. It really depends. We are looking for people to come to us so we can structure—

Q60 Chair: Sorry, when you say they might not be commercial, presumably you would not put money into them, since you are driven by the desire to make sure that you are commercial and you are covering your investments. You just provide advice.

Alison Nimmo: An LMA is really about giving much more control of assets to local community organisations, and it could be for a number of things. Through our stewardship programme, where it is our assets, we could support environmental projects and wildlife projects.

Q61 Chair: Support financially?

Alison Nimmo: In this example and probably the one that we are in discussion with at Portree—Portree, at the moment, we are really just working with a partnership and putting money into feasibility work.

Q62 Chair: So there are circumstances where you give money without the expectation of an immediate return, for a feasibility study and the like?

Alison Nimmo: Feasibility study. We do research and development, small-scale projects through our stewardship fund. We put in individual and small pontoons, slipways and small-scale access for community projects.

Q63 Chair: So there is scope there for you to spend money without getting an immediate return, or a return structured over a period?

Alison Nimmo: Yes, through our stewardship programme, but again, it is all about that long-term—I suppose it comes under the auspice of good management of our estate, or what you might call stewardship.

Q64 Jim McGovern: In your memorandum, you note that the Crown Estate’s Commission has agreed in principle a protocol to ensure that marine energy activities, and I am quoting here, “are aligned with the objectives of Scottish Government”. What concrete steps have you taken in respect of this protocol?

Ronnie Quinn: That is currently with Marine Scotland just now. It has been with them for some time. We are comfortable that the principles are agreed fundamentally, and it is something that has been looked at in Scotland. I do not think there is any impediment. It has been signed. It is just a time thing. There are constraints in time within Scotland. As we are led to believe, they are perfectly comfortable with that. At a day-to-day working level and month-to-month working level, the arrangements that we have with them in Scotland I believe are very positive and very useful to both parties.

Q65 Jim McGovern: So there is some sort of timeline to this?

Ronnie Quinn: We would like Marine Scotland to sign that, but it is not holding up any work that we are doing with Marine Scotland at present, but it is for Marine Scotland to sign. The principles are agreed.

Q66 Chair: Can I just be clear? I think the previous policy was that you would work with the grain of Scottish Government policy. I am not quite clear what the difference is between having a protocol to do that and the statements. If there is a difference to that, that implies that you were not working closely together in the past, and that protocol is necessary. Can you just clarify that for me?

Ronnie Quinn: The protocol is setting out that we would intend to work together. We are working together, which is why there is no great urgency from my side to get that back. I also understand from Marine Scotland that they are perfectly comfortable with the way things are working as well, so I do not think the two are necessarily incompatible. We are working with the grain of Scottish Government and are working closely with Marine Scotland.

Q67 Chair: In the event of disagreement, who prevails?

Ronnie Quinn: I think we have to recognise that Marine Scotland have a different remit from ourselves. We are aware of that, and we have each our own spheres of influence and our own objectives.

Q68 Chair: If there is disagreement, you do what you want to do?

Ronnie Quinn: That is not what we are saying.

Q69 Chair: It seems to be pretty clear to me. You keep stressing your different roles, different responsibilities, different spheres of interest. If there is a disagreement, you go off and do what you want to do anyway.

Ronnie Quinn: No, I would not say that, Mr Chairman. I would say that Marine Scotland are the marine planning body. We are the landlord to that, to them.

Q70 Chair: If there is an incompatibility of objectives, who prevails?

Ronnie Quinn: If it is about the planning side of the issue, that would be Marine Scotland, because there would be no point in us promoting a use in a certain area that would be incompatible with Marine Scotland.

Q71 Chair: Under circumstances where you can see yourselves doing things that would not meet with the approval of Marine Scotland, and Marine Scotland say are contrary to their objectives?

Ronnie Quinn: I have not come across that yet.

Q72 Chair: No, I did not ask whether you had come across it. I said, can you foresee circumstances in which that was possible? It is a question of who prevails. It is a question of who should be responsible for determining your strategy and policy, and if we have a position where you could be pursuing one policy, which is at variance with the Scottish Government, I am just seeking to clarify whether or not the Scottish Government, as the democratically elected body covering these areas, would prevail over your objectives.

Ronnie Quinn: So far as strategy and policy are concerned, the Crown Estate would be concerned with the Crown Estate. We would do that, so far as the structure and policy of what we have been planning is concerned, and that would be Marine Scotland.

Chair: I think that clarifies.

Q73 Sir James Paice: I want to take things slightly outside the purely marine area. In the previous inquiry, you told the Committee that you were seeking an MOU with the Scottish Government in its entirety. Can you bring us up to speed? Do you have it? What state is it in? Has such an MOU appeared on the horizon?

Ronnie Quinn: It was proposed. It was not thought appropriate to take that forward at that stage. We took it to Marine Scotland. They were happy to sign a letter—

Q74 Sir James Paice: This was beyond just the marine issues, was it not?

Ronnie Quinn: I could not say, to be honest.

Q75 Sir James Paice: Who took the decision not to take it forward? You or Marine Scotland—or the Scottish Government?

Ronnie Quinn: It would be Marine Scotland.

Sir James Paice: They did not want it?

Q76 Chair: Sorry, can I just clarify? We were talking about giving evidence before. You were seeking an MOU with the Scottish Government, and that has not been signed. I

think you said at one point it was not felt appropriate. I just want to be clear about this. The Scottish Government, you are saying, felt it was not appropriate?

Ronnie Quinn: It certainly was not ourselves.

Chair: It certainly was not yourselves. That is something that we can follow up on.

Q77 Lindsay Roy: What has happened with local bodies such as community trusts and community land ownership bodies taking over management of the foreshore, and managing the revenue from that?

Alison Nimmo: That would be an example potentially around LMAs, and we have also had discussions with Community Land Scotland and Highlands and Islands Enterprise to see if this is something that we could be more active in.

Q78 Lindsay Roy: Are you saying not a lot of progress has been made so far?

Alison Nimmo: We are open to community groups coming forward about managing foreshore, and that was one of the main thrusts of local management agreements.

Q79 Lindsay Roy: What about management of the seabed and the marine resources?

Ronnie Quinn: The most recent run for testing a demonstration of wave and tidal sites did identify testing demonstration zones, which we opened up to third party management, so that would allow enterprise agencies in conjunction with councils or on their own or councils on their own to manage those third party zones. It is currently still in the competitive process, and that is still ongoing at present.

Alison Nimmo: In terms of the seabed more generally, we have a clear view that that is a real strategic resource and that it would not be in the interests of Scotland to have that fragmented. In terms of our management of the seabed, it is really important that there is a coherent approach to energy policy across the UK and obviously in Scotland and that there is a coherent approach to offshore energy as well. Having a strategic view to how the seabed is managed we feel is a strong part of that. Our policy position on seabed is presumption against sales.

Q80 Lindsay Roy: So, no revenue for local community groups?

Alison Nimmo: I think that is a different point in terms of community benefit.

Q81 Chair: Clarify, then, what community benefit is there flowing to those communities as a result of developing the seabed?

Alison Nimmo: Ronnie will talk more about this. Specifically, in the case of offshore energy and wave and tidal, it is very early days for that, and I will ask Ronnie to say a little bit more about that. In terms of other coastal activities, I guess principally aquaculture and marine leisure—

Q82 Chair: Sorry, I was asking about the seabed. In terms of the development of the seabed, the amount of money that flows to the local community is nil. Is that—

Alison Nimmo: Ronnie, if you want to just—

Ronnie Quinn: So far as the wave and tidal sector is concerned, the Crown Estate made no revenue off wave and tidal devices in Scotland last year. We have opened that, as I said, to third party management, opened that out to groups, other parties, to manage testing demonstration zones for wave and tidal, so that they can manage them as they see fit and as appropriate, provided they meet certain criteria. That process is ongoing just now. That competitive process is going on just now.

So far as offshore wind is concerned, as you can see from the Scotland report, last year the revenue was in the region of £600,000. We have not made any other revenue in respect to offshore wind this year.

Q83 Chair: Coming back to the point I raised, the amount of money that has gone to local communities as a result of development of the seabed is nil?

Ronnie Quinn: I think that is not taking into account the work that has been undertaken onshore just now and the money that has been spent offshore locally just now to get—

Q84 Chair: All right. No, I understand, if you spent money developing something, that there would be some jobs created and so on. In terms of money handed over for developments on the seabed, the amount that has gone to local communities is nil?

Ronnie Quinn: Yes, and that would be something that we would urge communities to speak with the developers directly about.

Q85 Chair: You leave it, then, for the local communities to raise it with the developers? You do not, as the effective owners and managers of the seabed, make it a stipulation?

Ronnie Quinn: All the revenue that is made by the Crown Estate, as you know, Mr Chairman, goes to the Treasury. The Treasury have then said that half of the gross marine revenue will then be redistributed.

Chair: That is right. Treasury giveth; Treasury taketh away. There is nothing coming directly from yourselves. I was just wanting to be clear about that. Lindsay, have you finished up?

Lindsay Roy: Yes, I have.

Q86 Mike Crockart: You told us in a memorandum that, “The Crown Estate now has an extensive and structured programme of regular stakeholder engagement, which includes Government, parliamentarians, local authorities”. I am not going to read the whole list out because we have had that already. Can you give us some concrete examples of how things have improved since the last time we looked at this in 2012?

Alison Nimmo: I will give you an example of a programme we have been involved with. One of the first meetings I had in Inverness with the Highland Council, they were very exercised about a strategic HIE Scottish Government BT-sponsored project roll-out, superfast broadband, to the whole of the islands. They were basically saying, in terms of

their key priorities, this was top of the list because it would be transformational in terms of remote communities and economic development enterprises and so on. They were anxious that the Crown Estate played their role in helping to unlock it. Clearly, we had a big role to play. It is about 400 kilometres of sub-sea cables, and we needed to be part of that in terms of the leasing arrangements.

We worked very hard, and worked closely with Treasury as well, to unlock that project, and we met all the timescales of BT and Scottish Government to basically play our role in unlocking that project. We are now offering and providing technical help and support for what could be a transformation project taking superfast broadband to 80% of these rural communities.

Q87 Mike Crockart: It is great. It is a project. What the question was about was regular, structured stakeholder engagement.

Alison Nimmo: That is an example of us listening in terms of—Gareth, do you want to talk about it?

Gareth Baird: Yes.

Alison Nimmo: This is our fourth Committee this year in terms of giving evidence, for example.

Gareth Baird: Yes. If I could just update you on where we are meeting parliamentary officers. Over the last year, I think Alison, Ronnie and I met the First Minister. We have met just about all the Cabinet Secretaries except Richard Lochhead, whom we meet on a regular basis anyway. I think we met Fergus Ewing, running now about five or six times. We have met Johann Lamont. We have met Ruth Davidson. We see Willie Rennie on a regular basis. We have been down to Westminster. I met Margaret Curran. I met Nicola Sturgeon, the Deputy First Minister.

Q88 Mike Crockart: Once again, marvellous, but what are you doing that is regular and extensive stakeholder management? You have talked about individual meetings focusing on high-level political figures. Do you do public meetings? If part of what you are doing is regularly having a structured programme with community partners, how do you do that? What do you do? Do you have public meetings to meet with those?

Ronnie Quinn: This last week we had—

Q89 Mike Crockart: I am not interested in specific examples of people that you have spoken to. What do you have as a programme?

Ronnie Quinn: Last week we had people. We were running public engagement exercises in Pentland Firth and Orkney waters, so we had meetings in Caithness, for example, where it was a public meeting organised and sponsored by ourselves. We had people there. A wave and tidal team was there, meeting with members of the public, along with developers and with local people. That happens every year and is very successful, and a lot of people attend these things. We attended, along with Marine Scotland, a great number of their consultation events that were run throughout the summer in respect to their marine

planning exercise, and we went to very many of those. Sometimes even when they were cancelled, we turned up, sadly, but right across Scotland, all the way this summer, we have been attending those public meetings.

Alan Laidlaw: I would add, in terms of the structure of the engagement, it depends on the activity. Ronnie talked about the information days there and the Pentland Firth hive of activity. We have local developments going on, so public consultation regarding mountain bike trails, or regarding housing developments or community transfer, community taking control of assets.

Those would be very focused in terms of public open meetings. Our managing agents have a brief to make sure they are managing all their significant customers on a regular basis. My diary is already filling up, so in February next year I have three days planned to be in the Western Isles. In March I have days planned to be up in Orkney, and hopefully in Shetland. We are structuring to make sure that our significant tenants who are already doing business with us are engaging with us on a one-to-one level, and then also meeting with councils, councillors, and other groups that we know about at the same time.

The structure is there to make sure we are into each area regularly, to make sure, of the existing operators that we have relationships with, that we have a chance to catch up with them and understand their business. If you think of our aquaculture team, most of the time—they are based on the west coast—they are on the road, making sure the key customers of ours, the key occupiers of our assets, are satisfied and happy with what we are doing and what we can do more for them.

It is to unlock that, to make sure that the people who have existing relationships with us have an opportunity to engage with us and see what more they can get from us, but also to make sure that we turn down the road that maybe does not know much about the Crown Estate. There is a lot of work going in from the team on that.

Managing agents, again. We have retendered the managing agent process and a significant part of their contract is about community engagement, so there are another two coastal officers being appointed to make sure that areas where we maybe have not been as highly visible as we could have been are covered. Indeed, my day tomorrow, along with the team, is sitting down with all of those managing agents to make sure they are very clear about what our business plan is for next year, how we want to deliver it, and how we want them to represent us on our behalf on the ground.

I suppose there is a “horses for courses” element in terms of where our agreements differ and how we do that.

Q90 Mike Crockart: I still do not feel like you have answered the original question, which was about: is it extensive, structured, regular? Those are your words, about what you are doing in stakeholder management. It is much the same as you said at the time of the last report. You assured us that you had extensive communication networks, and then we found out that, for example, the Orkney Fishermen’s Association had never spoken to you, never given evidence or taken part in consultation. The question is, how can we be assured that what you have in place is extensive, structured and regular and is talking to all the groups that matter?

Gareth Baird: The main vehicle is the Scottish Liaison Group, which I said up to now had met twice a year. As I said, we have broken that down to sectoral groups. We are going to see them, and then they come to us. We have just had the meeting just the other week. As I say, there are more than 20 stakeholder groups, which absolutely cover every possible area of activity we have in Scotland. That happens twice a year. Those channels are very open.

Alan Laidlaw: If you look at the local structure level, it is about being in village halls and it is about making sure that those communities who have dealings with us and who may wish to have dealings with us have a chance to engage with us and have that discussion. That is what our managing agents are all about. That is what our team are all about, making sure they are in those levels. We attend village hall meetings. Last week the team were in discussion about a community broadband scheme with two community councils.

Chair: I think we have enough evidence for our purposes.

Q91 Lindsay Roy: Ronnie, how do you gauge success for the things you are talking about? Do you have a set of action points?

Ronnie Quinn: No. The ones in respect to the Pentland Firth information days are information days, so it is to make information available to people locally so they can come along and see what is happening. There is no set level assessed there, but they are for the avowed purpose of providing information.

Gavin has mentioned a couple of times the Scottish Liaison Group. There were a couple of points that came out of that that we can take forward into our business planning process next year that were quite useful and helpful to us. It is not a one-way process. There are a number of points—

Q92 Lindsay Roy: Can you give an example of an action point?

Gareth Baird: I can. At the tail end of last year, our shellfish farmers were having an awful job with sewage overflow when there were floods and things up the west coast, so that was an issue that was really damaging our shellfish farmers. They were getting a stop put on their product because of toxins in the water and all the rest of it. We were able to help co-ordinate there with the local authority concerned, with SEPA and all the rest of it, to try to make sure that that major issue was alleviated for that industry.

Alan Laidlaw: In terms of going on from there, that—

Chair: No, we get the gist of that, because I think we are starting to draw to a close now.

Q93 Graeme Morrice: In our previous inquiry, there were certainly a number of witnesses, and you have probably seen the information, who described the CEC as nothing more than “A tax collector”. They saw little or no return on the fees they paid to you. Could I ask what concrete steps are you taking or have you taken to ensure that the revenue raised in Scottish communities is reinvested in those communities? Also, what are you doing to promote port and harbour development?

Alison Nimmo: If I can kick off on that, all our revenues go back to Treasury and that goes into a general fund for redistribution, including back to Scotland. Treasury and the Government, in recognition of the revenues coming back into coastal communities in particular, have set up the Coastal Community Fund, and that is linked to 50% of our gross marine revenues being reinvested back. The monies are ring-fenced in Highland and Islands and Scotland, but that is a UK-wide fund to make sure that some of that money flows back in more directly to those communities. In terms of ports and harbours, Alan?

Alan Laidlaw: In terms of ports and harbours, we are in discussion with a number of different port operators at the moment about their long-term supply chain aspirations for the Energy and Infrastructure Portfolio, and those are at different stages. Some are initial lease discussions. Some are about potential funding and investments. Some are just regarding their marine spatial planning elements. We are trying to assist them all with their plans. Some of them have different funding arrangements and different funding requirements and may wish for us to invest. Others are pretty self-sufficient and do not require investment. Certainly some of the trust ports are fairly well capitalised. There are a number of different discussions ongoing at the moment.

Q94 Graeme Morrice: Let me just go back to the first part of my question to Alison. A number of witnesses suggested that you were nothing more than a tax collector. How would you respond to that specific accusation?

Alison Nimmo: I just do not think that is the case. We are, particularly in Ronnie's side of the business, investing very significantly, long-term, patient, significant capital into offshore to create a new business, a new industry for Scotland. Over £20 million committed specifically to offshore in Scotland, and that is part of an overall £50 million investment.

Q95 Chair: Would you accept that there is a disconnect, though, between your high strategic view of your major development and lots of local groups and organisations that just see you taking small amounts of money away? I still remember the example that was being given to us about how, when a local organisation wanted to dredge, you charged them to dredge, and then you charged them to dump the stuff they had dredged out again. They were doing all that. You were making no contribution at all, except charging them twice. It didn't cut any ice with them, the fact that you were doing something else somewhere else. Do you understand how there is that unhappiness on the part of many local groups?

Alison Nimmo: Yes. Aside from our big, strategic investment through our marine stewardship fund, we are looking, in terms of small-scale investment, at things like research and development. Ronnie has been a real champion of some of the education programmes we are doing, our MOU with University of Highlands and Islands, and other activities that we can take across our portfolio. Things like aquaculture—we are investing very significantly, over £1 million this year, in research underpinning a very important industry and very important jobs in rural areas in Scotland. Glenlivet I think is an exemplar of many of the things that we do, reinvesting, whether it is cycle trails, or the work we are doing in Tomintoul in terms of regeneration. Lots of benefits flowing back into, be it our tenants more directly, or visitors, trying to diversify our estate. There are a number of benefits across the piece.

Q96 Sir James Paice: Alison, you have come in as a still relatively new Chief Executive. In the earlier inquiries, and indeed comments that have come forward since, it seems that a lot of people have said that the CEC has difficulty in reconciling its primary responsibility for generating a return on its assets with any form of community responsibility or social responsibility—and Gareth said earlier that it is not a social enterprise, which is noteworthy. Have you as Chief Executive found any frustration or an element of it? Do you agree that there is a conflict between the two, or do you think your fundamental responsibilities are very clearly set out for you?

Alison Nimmo: I think our responsibilities are clearly set out in the Act, and it is a commercial mandate, albeit tempered with stewardship and good estate management. We try to interpret that as broadly as we can, particularly where it comes to more remote communities, but I think there clearly is a fundamental frustration in remote communities that we cannot, like many bodies, give away land to community groups. We cannot do as much as local communities would like us to do. That is in the nature of other public bodies as well. Local authorities cannot gift land. We have a clear remit in terms of what we can and cannot do. Within that remit, I think we act very much in the best interests of Scotland. We are very committed to what we do in Scotland.

Could we do more? Would we like to do more? Yes. I think we can work better with local partners. Taking a wider view about how we use our assets and particularly giving local community groups, local authorities, local trust harbours and the like more control over how they manage the assets.

Q97 Sir James Paice: Do you feel you could do that now, or are there any changes to the regulations that you would like to see to enable you to do that?

Alison Nimmo: The difficulty that comes with that is that I am running a very successful business across the whole of the UK, and what might be some of the challenges and the needs in a remote part of Scotland or Wales or Northern Ireland are very different to how we run the business in London. We have one Act that covers all our activities, and that commercial mandate runs through everything that we do. As I say, we can interpret that differently and take on board the concerns of the local community, but at the end of the day we are not a social enterprise and we are not an economic development agency. We cannot pretend to be what we are not.

Q98 Sir James Paice: My point is that Acts can be changed. I am not saying it can be done easily, but they can be. That is part of our responsibility in this world. Are there changes to that Act to give you more flexibility, perhaps, that you would like to see to be in a better position to reflect the things that we have been talking about this morning—to be able to help local communities more where it is necessary?

Alison Nimmo: I think that is really a question for our colleagues in the Treasury. Unfortunately, they could not be accommodated today, but—

Sir James Paice: I think we know what the Treasury would say.

Alison Nimmo: —in front of the Treasury Select Committee. They are very focused on our commercial mandate. As legislators and parliamentarians, clearly there is an opportunity to amend the Act. At the moment, we can only work within the brief we have,

and we try to manage our business as effectively as we can. What would be a very commercial approach in, say, one sort of transaction, where we would measure ourselves with all the best in the business, will be very different from a small-scale investment in a rural area in Scotland. We try to be as flexible as we can.

Gareth Baird: Ronnie earlier mentioned the Coastal Communities Fund. One thing that struck me through the summer, when we appeared in front of the Energy, Economy and Tourism Committee at Holyrood—I hope I have that the right way round—was that I am not quite sure that everybody has grasped the opportunity of the Coastal Communities Fund. Where I see huge help being available to coastal small communities is through this fund. The big way that we can help in that is getting the kit in the water in Scottish waters and get that flow of, as Alison said, 50% of gross revenue going to that fund, which will be ring-fenced for Highlands and Islands and the rest of Scotland.

If Ronnie and his team and Alison and her team—it is a UK job to get that there. If we can get that there and producing, that is going to make a colossal difference to these communities. We cannot influence where the big lottery would direct that cash, but by gum we can help local communities perhaps get their business plans together and things like that. It is just a colossal opportunity, but our team needs to help these developers get that kit in the water and get the money flow going, and it is not easy.

Q99 Sir James Paice: Thank you. My final question comes back to the issue of rules and regulations. You may not want to answer this, but as far as Scotland is concerned, could the ability to serve Scotland be enhanced with an element of devolution of responsibility within the Crown Estate to Scotland—either to the Scottish Government or another organisation? Do not go into detail, but are there structural changes that could be made that would help?

Alison Nimmo: I am sure there are. I do think that is really a discussion between the Scottish Government and the Westminster Government.

Chair: Mike, do you want to come in with a supplementary question?

Q100 Mike Crockart: Yes. Very, very briefly on the conflict of interest, because I can understand why you are struggling with this conflict of interest with the overarching body of the Treasury behind you. One of the other organisations, a recent one, that has been set up that has a similar structure is the Green Investment Bank. It is expected to invest on a commercial basis, get returns and become an enduring institution, but it has managed to have a structure where it has a double waterline. Our mission is to accelerate the UK's transition to a green economy and to create an enduring institution. It manages to do both. Is that something that the Treasury should be looking at potentially in allowing you to count community benefit in a way that you obviously cannot do at the moment?

Alison Nimmo: What we have tried to do with our total contribution report on a UK-wide basis is stand back from the business and look at how we add value or create benefits. Looking at that, we count environmental and social benefit as well as just the financial return on our investment as a way of looking at how we add value across the UK. That is a model that we are looking at more closely. “You only treasure what you measure”, I think was something that the Chairman said to me when we first met. “In your annual report, you do not talk about jobs, you do not talk about economic development and therefore it means you do

not care about it.” This is a direct way of trying to say we do want to try to capture what those wider benefits are. Putting an actual value on them is very difficult, but I think this is the first step in at least trying to capture them and reflect them.

Q101 Chair: I am glad to hear that what we say has some effect.

Alison Nimmo: It has significant effect, clearly.

Q102 Chair: Yes, that as well. You mentioned about the submarine telecoms cable. In the report you sent us, you said you had now applied “a variation to standard terms”. What does that mean? You charged them less, or it was structured in such a way that the money becomes due later? Can you expand slightly?

Ronnie Quinn: To be specific, we have agreed a deal with BT so that we will mirror their financial position so that until those cables become commercial, we will not charge a commercial rate.

Q103 Chair: All right. You have the power when you see fit to charge less than what you would normally assume to be the going rate?

Ronnie Quinn: That is the point. There is no going rate for those cables at present because they are not commercial.

Q104 Chair: All right, so that is a parallel that can be applied elsewhere in other circumstances, of course, for things not being commercial.

Alison Nimmo: It is the best consideration, taking everything into consideration.

Q105 Chair: Apart from letting them use the seabed, what did you put into this?

Ronnie Quinn: We have also offered the use of our marine ploughing tool and our expertise. There are around about 20 cable crossings going to be required for this, and we already do have some expertise in plotting those out and managing the best route for those. We have offered that degree of expertise to BT in their planning process.

Q106 Chair: We said before you came in that at the end we would ask you whether or not there were any answers you had prepared to the questions we hadn’t asked. Is there anything that you came determined to tell us and you haven’t been able to work in up until now?

Alison Nimmo: It has been a very comprehensive session, Chair. I suppose all that I would add, and we will put it in the report or letter back to you, is that we have made good progress on some of the recommendations that came out of your previous Committee around historic assets and ancient possessions—so Stirling and Edinburgh Castle and naturally occurring oysters and mussels.

Where things were within our remit and we listened in terms of strength of feeling, we feel that we have made great inroads. Just to conclude, I would like to say thank you very much for your time today. Hopefully, it has been useful seeing the full team today. We are absolutely committed to the business that we do in Scotland. We have a very significant role

to play in Scotland for the long term, our strategic position and long term investment in offshore.

Our exemplar is in our ruling coastal business in Glenlivet. We would love you to come and spend time with us at Glenlivet or we can arrange for other visits to come out, meet some of our team and really see what we do on the ground. We did that with Community Land Scotland up at Glenlivet and it really helped them to understand that we are all trying to do the same thing.

Q107 Chair: Can I just reciprocate by thanking you for being so open with us? I am sure that for all that Scotland has less than 5% of your assets, I think we probably give you more than 5% of your grief. That is only right. While we recognise that you have a great deal of professional expertise, it is fair to say that we remain dissatisfied with the structures under which you operate and our report will probably reflect that.

Thank you very much for coming along. Sorry it has been a bit rushed because we have to get away.

Ronnie Quinn: Just one very small point. There were some questions earlier about MOUs with the Scottish Government that predated me. I think what we will do is set it out in a letter so it is clearer.

Chair: Yes. If there are any answers to questions we didn't ask that you think of later on, by all means feel free to let us know. Thank you.