



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Earl of Devon
House of Lords
London
SW1A 0PW

17 September 2024

Dear Lord Devon,

THE CROWN ESTATE BILL 2024

I am writing to respond to the specific questions you raised during the Second Reading of The Crown Estate Bill.

You posed questions about the proposed borrowing and investment powers for The Crown Estate (TCE), including asking about what oversight Parliament will have, and about the role of TCE more generally in the energy space.

As I set out during the debate, the reforms being introduced in this Bill will not alter the fundamental statutory basis of The Crown Estate as a commercial business, independent from government, that operates for profit and competes in the marketplace for investment opportunities.

Notwithstanding this independence, there are existing governance arrangements in place to ensure TCE is accountable for the exercise of its statutory functions. This includes the requirement for TCE to lay a report and their accounts in Parliament, audited by the National Audit Office, setting out the performance of its functions in that year. In addition, TCE has an accounting officer who is answerable to Parliament for the stewardship of TCE's resources. The Crown Estate Commissioners, who manage TCE, are appointed by His Majesty on the recommendation of ministers, and this appointment process is governed by the Code for Public Appointments.

Further, TCE's Framework Agreement provides for a constructive and transparent relationship between TCE and the Treasury, including regular

discussion of business planning and strategy, as well as ad-hoc meetings where appropriate.

In respect of any future borrowing, as I said in the debate, a draft Memorandum of Understanding between the Treasury and TCE will be published before November. This will set out further detail on the parameters and controls around borrowing.

In reference to your question about why the original limits on investment exist in the Crown Estate Act 1961, it is perhaps helpful to explain how that Act works. The Act defines what TCE can currently invest in, which is principally land, reflecting the fact that TCE was almost exclusively a property business in the 1960s. However, the environment in which TCE operates is changing significantly. The traditional landlord model is disappearing swiftly, with landlords now expected to offer not just physical premises, but a package of complementary products and services (including digital services). In addition, many of the types of activities that can now support TCE's marine investments, such as digital mapping of the seabed, were simply not needed nor possible 60 years ago. The Bill therefore clarifies that TCE can undertake activities that are conducive to the discharge of its core duties. However, those core duties – in essence to maintain an estate in land – will not change, and so TCE's activities will remain subject to strict statutory parameters.

You also asked about the statutory transfer to TCE's capital account and whether this is funded via the Treasury. Under section 2(4) of the Crown Estate Act 1961, the Commissioners are required to make proper adjustments between TCE's capital and revenue accounts. While TCE are legally responsible for determining the amount of their revenues they should retain for maintenance and re-investment, there is a long-standing practice that the level is agreed with the Treasury and formalised in the Framework Document. The transfer to the capital account supports the Commissioners to fulfil their duty to maintain and enhance the value of the estate, which in turn supports the amount returned to the Exchequer each year.

On Great British Energy (GBE), you asked whether new investments undertaken through the partnership with TCE will be regionally equitable. You also asked about the benefits for communities where renewable energy projects are located. Following the publication of GBE's founding statement in July, DESNZ will be taking the important steps to put GBE on a delivery footing over the next few months, including starting to recruit key roles into the organisation. Although its headquarters will be based in Scotland, the company will operate

UK-wide and for the benefit of the entire nation. The intention is for GBE to support local and combined authorities – as well as community energy groups – to roll out small and medium-scale renewable energy projects through the Local Power Plan. In terms of how TCE’s investments benefit local communities, TCE already pays all of its net revenue surplus into the Consolidated Fund – a combined total of more than £4 billion in the last decade – which is used to fund vital public services across the nation.

You also asked about whether it is appropriate to delegate political decision-making to TCE Commissioners. I would like to reassure you that the Government respects TCE’s independence and does not direct its commercial activities. Under its strategy, TCE focuses on activities which meet its own statutory objectives, but which also closely align with wider national needs, including energy security, nature recovery and sustainable economic growth. It is also right that TCE continues to be independent from the Government.

You asked whether the TCE-GBE partnership is fully compliant with procurement regulations. Procurement regulations do not apply in this case because the partnership between TCE and GBE does not relate to procuring goods or services from TCE. Rather, it is a strategic partnership through which the two organisations will work together to determine specific areas on which to collaborate to speed up the process of developing clean energy projects and co-invest in clean energy infrastructure.

You also asked for an update on DEFRA’s progress on Marine Net Gain. DEFRA is the responsible department for this policy and they will be happy to assist with any questions.

I trust I have answered the questions you raised. I look forward to engaging further on the Bill at Committee on the 14 October. I am copying these letters to those who spoke at Second Reading and placing a copy in the parliamentary library.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Livermore', written in a cursive style.

Lord Livermore
FINANACIAL SECRETARY TO THE TREASURY

