

# Scottish Affairs Committee

## [Oral evidence: The work of the department, HC 410](#)

Wednesday 25 June 2025

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Members present: Patricia Ferguson (Chair); Maureen Burke; Harriet Cross; Dave Doogan; Mr Angus MacDonald; Douglas McAllister; Susan Murray.

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### Witnesses

I: Right hon. Ian Murray, Secretary of State for Scotland, Scotland Office; Kirsty McNeill, Parliamentary Under-Secretary of State for Scotland, Scotland Office; Anna Macmillan, Interim Director, Scotland Office.

## Examination of witnesses

Witnesses: Ian Murray, Kirsty McNeill and Anna Macmillan.

**Q1 Chair:** Good morning, and welcome to this meeting of the Scottish Affairs Committee. We are very pleased to have on our panel today the Secretary of State for Scotland, the Parliamentary Under-Secretary of State at the Scotland Office and the interim director. Can I ask all three of you please to briefly introduce yourselves?

**Anna Macmillan:** I am the interim director at the Scotland Office. I have been holding this post for about two months. My substantive role is the deputy director of communications at the office.

**Ian Murray:** I am the Member of Parliament for Edinburgh South and Secretary of State for Scotland.

**Kirsty McNeill:** I am the Member of Parliament for Midlothian and the Parliamentary Under-Secretary of State for Scotland.

**Q2 Chair:** We thank you for coming back again, Secretary of State. The last session was slightly curtailed by other events in Parliament. Hopefully we will not have those problems today, and we will push on with our questions. Could I ask you to what extent the funding announced for Scotland at the spending review reflects an adequate settlement?

**Ian Murray:** It is nice to see the Committee again, and a warm welcome to Mr Doogan. This might be his first Committee appearance while we have been here, so welcome to him. The spending review was a great success for Scotland, and a great success for the whole of the United Kingdom. The Scotland Office worked very hard, and not just on our own departmental settlement. It is really important to set out that there are two bits in terms of the spending review as far as we are concerned as a Department. There is the departmental spending review, which is funding the Scotland Office and what we do, and then there is the wider spending review and its impact on Scotland. We were working very hard on both, of course.

The second part is probably the most important because that is the bit that delivers the record block grant: £9.1 billion extra over the spending review period. It is a multi-year spending review, which is what everyone has been demanding and asking for. It gives the highest block grant in the history of the Scottish Parliament. On top of all that, there were huge amounts of spending in reserved areas, whether it be defence, energy or other areas.

The big-ticket items, if you like, in terms of infrastructure in Scotland were the UK supercomputer, which will be based at the University of Edinburgh, and the Acorn carbon capture and storage project: £200 million linking St Fergus to Grangemouth. There was the full capitalisation of GB Energy, because there had been some naughty speculation perhaps that that would not be capitalised to its full £8.3 billion, but it has been



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and that was confirmed in the spending review. The AI growth zones, the investment zones, the green freeports and the local growth funding were all in the spending review.

It was a really, really good spending review for Scotland. From a Scotland Office perspective, we are incredibly pleased with it, particularly that ending of austerity that we promised in our manifesto and that additional funding that is going to the Scottish Government in terms of that £9.1 billion extra.

**Q3 Chair:** That was a comprehensive answer. Can I ask you then, was there anything in your bid to the spending review that was not agreed to?

**Ian Murray:** I don't think so. The challenge for us as a Scotland Office is to make sure that other Departments have in their spending reviews what we want in Scotland. For example—just for the benefit of the Committee—the £750 million for the supercomputer at the University of Edinburgh, which Minister McNeill launched on the day of the spending review, was in DSIT's departmental spending review. Acorn was obviously in DESNZ's departmental spending review.

The Chief Secretary to the Treasury worked very hard across Government, rather than in the siloed way in which it has been done previously, to make sure that the Scotland Office and Scotland were well represented across the whole of the spending review in a horizontal way—if I can use that accounting term—rather than in a siloed way. The Cabinet Office had roundtables, bringing the territorial offices together with the other Departments that were reserved, to see what they were spending and what was in their spending review. The simple answer to your question is no. We are very pleased with what we got; we are very pleased with what we asked for. Those were the targets and priorities that we had.

**Q4 Chair:** Are you content that that way of working—the opportunity to input to other departmental discussions as the Secretary of State—is the way that matters will be conducted going forward?

**Ian Murray:** Yes. A spending review process is not perfect because it is very much about the departmental budgets being set. Of course, the envelope was set in the Budget in October last year. Our role really in a very technocratic way would be that each individual Department looks after its own budget because it has its own programmes that it wants to fund. It was really important to see that umbrella view across the whole of Government in terms of what was coming to Scotland and what was benefiting Scotland.

We are incredibly pleased with it. The process can still get better because obviously each individual Department is looking after its own budget and its own priorities, but the five missions that were set out at the election were the drivers behind how to deliver the spending review, and of course they have to be done cross-departmentally. There is a great



acknowledgement in Whitehall and in Government that the Scotland Office is hugely important in terms of that delivery, whether it be in defence, the supercomputer, green energy or the growth agenda. The industrial strategy of course was launched this week. All of that together became part of the spending review.

Yes, of course, there are always improvements that can be made. We always want more money; of course we do. We got our £3 million over the course of this year in the spending review for Brand Scotland, which is our big frontline project. In terms of the overall process, we were very pleased with it and very pleased with the way in which the Treasury conducted that cross-departmental look for Scotland.

**Q5 Chair:** The Fraser of Allander Institute has suggested that funding for Scotland will actually be £0.7 billion lower by 2028 to 2029 compared with the Scottish Fiscal Commission's central estimate. Is that an interpretation that you are comfortable with or agree with?

**Ian Murray:** I do not recognise that because this is comparing estimates rather than actuals. If we look at the actuals, there is £4.9 billion—£1.5 billion in the previous financial part year and £3.4 billion extra in this financial year. There is £9.1 billion extra across the spending review period, which is the next three years. That is a 2.7% increase in real terms. The report that the Fraser of Allander Institute produced said that, but it also said that the £9.1 billion was technically correct. The reason it said it was technically correct is because it is correct. That means there will be £9.1 billion more in the Scottish Government's coffers from 1 April next year.

**Mr MacDonald:** Minister, can I suggest that in Scotland, some Scottish businesses are getting the worst of both worlds? There are aspects imposed on us by the Scottish Government that are very painful: a higher income tax, for example, and we did not get business rates relief for a level of hospitality, retail and so on. Yet things are imposed on us that may be appropriate for the nine tenths of our population based in England but are not appropriate for Scotland. For example, the national insurance increase has hurt hospitality in the highlands extremely hard. Hospitality is the biggest sector in the highlands.

We are getting hit twice. On energy, you guys are coming up with a subsidy for high energy users, which is great if you are one of those organisations or sectors that gets it, but in rural Scotland we are paying massive prices for our energy, and we are not getting that subsidy. I rather feel that in rural Scotland we are getting the worst of both worlds. I would hope that the Scotland Office would stand up for us when that sort of negotiation happens because we are getting hit by the Scottish Government and by the Westminster Government.

**Kirsty McNeill:** This is something that has been mentioned quite a lot by all the different stakeholders we have been engaging with. As you will know, we have done huge numbers of roundtables and engagement



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sessions in QH and in Dover House. We have also been out and about speaking to people. The thing that external stakeholders keep saying to me is that at the business end, the sharp end, when they are trying to run their organisation or run their business, they are—as you say—experiencing the cumulative impact of local government decision making, Scottish Government decision making and UK Government decision making.

The thing that we have been very keen to stress is that that is not for organisations to navigate. It is for those of us on the government side of the table—whatever level of government we are operating at—to sort out in advance what we anticipate the cumulative impact of decisions to be. They may be perfectly sensible in their own terms, but when there is layer upon layer upon layer, the effect may not be as we intended. The thing I would say to reassure you is we are in constant dialogue with the Scottish Government and with COSLA at a local government level, to try to anticipate the cumulative effect of those policies. We hope the reset is a really helpful foundation for that.

If I may go back to the previous question, we hope that a mission-based Government is helpful for that as well. The other thing that people are saying is that historically they find it very difficult to navigate the UK Government because there are lots of different Departments that are not necessarily working together. Mission-based Government means that they are working together. The spending review was a more collegiate experience than the last time I worked in Government because the decisions were made on the basis of whether they helped us to hit Government objectives, not departmental objectives. I hope that our approach, which is mission-based and based on a foundational reset with the Scottish Government, means we will anticipate these layered experiences that people are having a bit faster than we have historically. The door is always open for people to surface for us if we do not have that right on our Government side of the table.

**Ian Murray:** There are great opportunities in terms of the rural communities in Scotland. Clean energy by 2030 is a massive opportunity. In fact, the opportunity will be so large that the infrastructure might not cope in terms of housing, connectivity, roads and so on. Those are the kinds of things we are working in partnership with the Scottish Government to deliver. We are disappointed that businesses did not get the rates relief that other businesses got, and we are just about to legislate to make that permanent in England. The industrial strategy has been launched. You will see it very much has a rural focus in it, particularly in Scotland. We have the best spaceport in Europe in the north of Shetland, which you have visited. Rural is not being excluded from anything that is happening.

I fully accept, appreciate, acknowledge and understand the arguments about employer's national insurance, but none of the things we discussed in response to the Chair's initial questions—the record block grant, the



investment in Acorn, the investment in the supercomputer—would have happened without stabilising the economy. The difficult decision to increase employer's national insurance was all part of that stability. That stability needs credibility and certainty. That means we can make these investments both in public services and in the economy, which will help rural areas. Without any of that, none of this would be happening at all. I would fully expect your questions to be much harder and much harsher if we were not making these investments in the economy and public services.

**Q6 Mr MacDonald:** Renewable energy is definitely potentially a good thing for rural Britain, but it is definitely not happening now. The turbines are made overseas, the owners are international, the community benefits are not really coming through in the way we would hope, and there are not the jobs in it. I would like that to be on record.

**Ian Murray:** Apart from that, everything is fine? The biggest challenge we have is in the supply chain—not just in terms of creating capacity in supply chains across Scotland and the whole of the UK, but also in providing a pipeline of projects so the supply chain can be robust and have that certainty in its order book. Sumitomo Electric is an example in the highlands in terms of making those cables, building a factory and investing in the supply chain. It now needs that pipeline of orders. That pipeline of orders will only come in if we can get the consenting and the planning right for the clean energy mission. All this is a jigsaw that has to come together at the same time. I take a slightly opposite view to you in the sense that I see this as being a huge opportunity rather than a huge problem.

**Q7 Harriet Cross:** Secretary of State, you said it was your understanding that the NICs increase had stabilised the economy. Is that what you said? Is that really the case that is being made for NICs? Certainly, from what I am hearing on the ground—I will not be alone in this—it has not stabilised the economy at all. It has put an absolute spanner in the works of a lot of businesses, a lot of rural businesses in particular. Jobs are being lost; jobs are not being created. There are no figures in the economy at the moment that actually show that the economy is being stabilised or strengthened in any way. How is the claim that the NICs change has stabilised the economy one that can credibly be made?

**Ian Murray:** At the election we inherited an economy that was in complete and utter chaos. Public finances were in chaos, with an industrial crisis across Scotland and the rest of the UK. We had to make some pretty tough decisions to stabilise that, by filling the £22 billion black hole, by stabilising the—

**Q8 Harriet Cross:** That black hole has not been credited by the OBR. It does not say that is a black hole.

**Ian Murray:** You can wish it away as much as you wish to do so, but the Government had to take responsibility—



**Q9 Harriet Cross:** How have the NICs changes filled that black hole?

**Ian Murray:** We had to raise taxes in order to be able to invest in our public services and the economy. The Budget in October put £40 billion extra into our public services because they were on their knees—whether it be the NHS, education, transport or infrastructure—and £100 billion is going into capital investment. That had to be paid for, and we had to make some pretty difficult decisions to do that.

Stabilising the economy means that we have been able to have four interest rate cuts from the Bank of England because the economy is stable; we have been able to get record investment into the economy; we have been able to produce an industrial strategy that is about investment into sectors to grow our economy; we had the highest growth of the G7 at 0.7%. Everything in terms of the indicators is looking much more positive. The key thing that businesses told us—

**Harriet Cross:** Not job numbers.

**Ian Murray:** The key thing that businesses told us at the election is they want stability, they want credibility, and they want investment in the economy. That is what we have delivered. That takes money to do. I have yet to hear a proposal that suggests that we take that £25 billion out of the economy and suggests what we replace it with or what we cut. If the Committee wants to come to a conclusion in terms of what we cut from the economy if we take that £25 billion out, I am very happy to receive that. It seems to me that the criticisms are that everybody wants the spending, which we will talk about a lot today, but nobody wants to raise the money for it. The Government have to make those decisions to do so.

**Q10 Harriet Cross:** I think the criticism is that it was—as you said yourself—a £25 billion tax raid on businesses, which they were not prepared for and they are bearing the brunt of. Jobs and working people are paying the cost, and that is not stabilising the economy. We will see employment decreasing. We have already seen unemployment rates go up in May, which was exactly the month after the NICs changes came in. Businesses are not hiring, and they are the ones that will be growing the economy. I just do not take on board the point that you made that the NICs increase has stabilised the economy.

**Ian Murray:** Well, wages are up more in the last 10 months than they have been in the last 10 years. Therefore, there is more money in people's pockets. That is what we promised we would do at the election. The number one thing for businesses is to make sure that the public has more disposable income, and that is what we are determined to deliver.

**Q11 Susan Murray:** The increase in employer's national insurance is not just hitting small businesses; it is hitting the charitable sector as well, where they are not employing people, and where they are losing jobs. That sector is the sector that, broadly, will help people back into jobs. You are





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creating a perfect storm where small local businesses are shrinking because they cannot afford to employ extra people, they sometimes cannot afford to employ the people they have, and they are cutting back on apprenticeships. Yet we are looking for these small businesses to help people go back to work if they have been on long-term disability and they need that support to get back into work.

I am afraid we are not going to agree that the national insurance rise was the only way that we could have found the money. There are possibilities to reverse tax cuts for banks or to tax the digital giants. There are other ways to look at this. Time will tell what this is actually doing to our economy with the increase in employer's national insurance.

**Ian Murray:** There was £140 billion that went into the economy from the Budget and £330 billion more than was being projected by the previous Government that went into the spending review. That is an investment in our public services, it is ending the austerity that has damaged all our economies, and it is trying to put more money into people's pockets, which means people will have more customers.

There is no easy answer to these difficult questions, but the bottom line is that we have a huge focus on growing the economy. That means investing in businesses, investing in sectors and investing in people, so there can be more jobs and higher-paid jobs with career paths for highly skilled individuals to have. That is the whole purpose of the mission to grow the economy, which is the No. 1 mission of this Government. Do not forget that most small businesses have relief on national insurance contributions, and 850,000 businesses across the whole of the UK will either pay less or the same national insurance as they were paying before.

Q12 **Susan Murray:** Moving on, how do you respond to the Institute for Public Policy Research Scotland's analysis that the average increase of 1.1% per year in the block grant is unlikely to meet Scotland's ongoing fiscal challenges?

**Ian Murray:** I am not responsible for Scotland's ongoing fiscal challenges. It is the decision of the Scottish Government to determine their own budgets. What I can do is make sure that Scotland gets its fair share and gets the investment that we all want to see, and you can see that through the spending review. Since we came into Government almost 12 months ago, the Scottish Government have received £4.9 billion extra and will receive an extra £9.1 billion. That is a 2.7% increase every year in real terms. That is a significant investment in making sure that we could end austerity in Scotland.

But I am not responsible for Scotland's fiscal challenges, and indeed, the fiscal challenges are there for all to see. There has been report after report of unallocated spending and unbalanced spending. If you talk to some organisations that you mentioned in your supplementary question earlier, the charitable sector—the third sector—is still being underfunded,





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despite the record funding. If there are fiscal challenges in Scotland, people will rightly ask why that is the case and where the money has gone.

- Q13 Susan Murray:** To some extent you have answered the next question, but do you see it as part of your role to secure a settlement that meets Scotland's longer-term and structural fiscal challenges?

**Ian Murray:** It is absolutely our role in the Scotland Office to do so, and in fact, it is the UK Government's role too. We can split that into three parts. First, at the fiscal events we have—whether it be budgets or spending reviews—we are very much at the heart of them championing Scotland's corner, as every MP in this room does of whatever political colour. Secondly, there are huge opportunities for Scotland in terms of the missions of the UK Government because green energy will be disproportionate in Scotland, as an example.

Thirdly, there is major UK spending that is not included in things like Barnett numbers and block grants, such as defence spending, which will disproportionately benefit Scotland, or spending through GB Energy. There are reserved Government Departments that are spending billions and billions and billions in Scotland that are not included in these kinds of block grant figures. It is really important for us to fight Scotland's corner, but there is a real recognition across Whitehall that Scotland is hugely important—not just the contribution it makes but the contribution we can make in return.

- Q14 Maureen Burke:** The Scottish Government have claimed that the UK Government offered limited engagement ahead of the spending review, despite extensive representations. What was the Treasury's approach to engaging with the Scottish Government during the spending review process, and what was your role in this?

**Ian Murray:** There are a number of answers to that question, Ms Burke, in terms of the formal processes, the informal process, and then what happens in terms of the Budget processes. There is the Finance: Interministerial Standing Committee, the F:ISC, which the Chief Secretary to the Treasury chairs with the finance Ministers of all the devolved Administrations. We sit on that along with our Secretary of State colleagues for Wales and Northern Ireland. There is an open discussion throughout the course of the year on various set pieces, whether it be for the Budget, the spending review or otherwise. There is that formal process. There are lots of other formal ministerial standing committees that are for the devolved Administrations, which feed into individual policy issues as well.

In terms of the spending review, there have been letters exchanged, there have been meetings, and there have been exploratory meetings, not just with Scottish Government but with COSLA and others. We have conducted our own but also the Treasury has done its own and so have individual Departments in terms of their spending profiles in the Scottish



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context. The Cabinet Secretary was informed of the spending review at the appropriate time when everyone else was informed, which was about 10.30, I think, on the day of the spending review. I do not say this flippantly, but there was a Scottish Government reshuffle going on at the time, so we were not quite sure if that meeting was going to go ahead or whether the Finance Secretary would be there.

There is lots of discussion. It is utterly ludicrous for the Scottish Government to essentially say there has been no representation, when there are extensive representations happening all the time. There is extensive cross-Government working, both at the official level and the political level. I probably meet with the Deputy First Minister more than I meet with any other politician, in terms of discussing these issues and other issues that are relevant to Scotland. I may just gently press back that—although this is not the responsibility of this Committee—the Cabinet Secretary, as I understand it, is making a statement on the Scottish Government's budget today, and we have not been informed what is in it.

**Kirsty McNeill:** I should put on the record that the Secretary of State is right: he spends more time with the DFM than he does with me. The ongoing discussions are very regular and a sincere attempt to take each other's temperature and mind.

It is very interesting that there is this focus on the process of how many meetings have been had and with what agenda, when of course Scotland's representatives have made repeated representations on the Floor of the House of Commons as to what they would like to see in the spending review. Those representations were heard and well taken, which is why we have ended up with an Acorn investment, £750 million for a supercomputer, and record amounts of money going into Scottish public services. The idea that Scotland's voice has not been heard just does not tally with the outcome of this spending review. It is not an accident that the Scottish Government want to talk about the process rather than the outcome, because it is plain for all to see that the outcome from the spending review was great for Scotland.

**Ian Murray:** I know Members will be very keen on other examples to give some colour to what we are trying to say. The strategic defence and security review was launched in Glasgow on Monday 2 June. A high-level security briefing on the defence review was offered to the First Minister before it was launched by the Prime Minister. The First Minister declined that meeting and went campaigning in Hamilton instead. Engagement works both ways.

**Maureen Burke:** You have actually answered my supplementary, which was about what lessons can be learned from future spending rounds.

Q15 **Harriet Cross:** As you have already mentioned, in the spending review we saw that there was money for the Acorn project, which is obviously welcome, but there was no decision on the final investment decision,



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other than saying it will be sometime this Parliament when the affordability and readiness is understood. Why has that been delayed, and when will the final decision be taken? As I am sure you are very aware, these projects are ready to go. There is only so long businesses can hold on to workers when a project is being done. Either there is going to be an internal delay, or they will be letting people go because they cannot just wait around for the Government to make a decision. When will those come forward?

**Ian Murray:** Nobody can deny the commitment to carbon capture and storage that this Government have made. We have committed £21.8 billion to the track 1 projects. Acorn is officially a track 2 project, but it is probably a track 1.1 project in terms of being the next in line. That £200 million in the spending review was to get it to a stage of a final investment decision, which would probably happen at the next spending review or the one after. The next spending review will be in 2027, or indeed in 2029. It is a three-year spending review on a two-year rolling basis.

We have been working with partners; this has not just been plucked out of the air. All the partners that we had a roundtable with were looking for that development funding in terms of getting it to a stage of final investment decision. It was the partners we worked with who came up with the figure that they were looking for in the spending review, and that is the figure that DESNZ has put into its spending review submission.

This is all part of the process to get to final investment decision, and that would be considered either at the next spending review or the one after, depending on how much development has gone on and what stage it has reached. But the partners are very much involved in this and very much driving the process.

Q16 **Harriet Cross:** What concerns, if any, do the Government have on affordability and readiness, if that is what is going to drive the decision?

**Ian Murray:** The big question is about affordability and readiness. That is what this money is for: to get it to a stage where it can be looked at as a final investment decision. There is no doubt the Acorn project has many fantastic attributes: it has the St Fergus terminal, it has the pipelines, it has Grangemouth, it has the infrastructure, it has the skills and the workforce, it has all the partners involved in this, and it has a significant amount of investment that has happened already.

This is a really exciting project, and the £200 million is to get it to a stage where it can be ready to go. That is what the partners were looking for, and that is what we have delivered as a Government. There should be no ambiguity at all about this Government's commitment to both carbon capture and storage and the Acorn project. Certainly, we will be making sure that £200 million is well spent, as quickly as possible, in order to get to that final investment decision, hopefully by the spending review in 2027.



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- Q17 **Harriet Cross:** Sorry—let's go back a step. You suggested that Acorn was a track 1 plus, and therefore by association Viking might be seen as a track 2 minus, if they are at the same time. Would you expect Viking to come on a later FID, or a later spending review?

**Ian Murray:** Viking has been funded in the same way for development funding and through the same pot. It was a £350 million pot. I will check the figure for you, but they are both being given the development funding to get to final investment decision. I would not want one project to be over the other; I am just highlighting the fact that Acorn was always technically a track 2 project but actually it was a track 1.1. It was just behind the other two projects that we fully funded.

- Q18 **Harriet Cross:** Finally, hydrogen is obviously also included in the projects in the spending review, but unless I am wrong there was no funding allocated to it. When might that be known, and what sort of projects would you be looking at?

**Ian Murray:** Scotland has punched above its weight in terms of the hydrogen sector. In the call for projects to come forward for the funding, there are 11 UK projects, eight of which have been shortlisted in Scotland. There is a £2 billion package on the table. The shortlist for the second hydrogen allocation round has been announced. I do not have a timeline here; it just says that the successful projects will be announced in due course. Of course, in Government terms I have learned that spring means 1 January to 31 December.

It will be done in due course, but the due diligence process is happening, the cost assurance process has to sit alongside that, the allocation round is in place in terms of that £2 billion, and Scotland is punching above its weight. I suspect Scotland will do disproportionately well out of this for a number of reasons—first, the accessibility of renewables, but also in terms of the development of the hydrogen sector in Scotland.

- Q19 **Harriet Cross:** Companies and developers waiting on this are very much with a finger in the air just waiting until a time comes along. There is no time for it at the moment.

**Ian Murray:** Again, it is not finger in the air because this Government have made a huge commitment to hydrogen both in the spending review and in the Budget. Again, I can give that 100% reassurance that the Government are working at pace to get to a position where we can fund these projects and get hydrogen up and running as quickly as possible because, again, Scotland will disproportionately benefit.

- Q20 **Harriet Cross:** Are you working to try to tie down a date?

**Ian Murray:** We are working very hard to try to get all these projects over the line as quickly as possible. The spending review was part of that process, of course, and the hydrogen allocation round was part of that process. We were over the moon that so many projects came forward and at the disproportionately high level of Scottish projects that were



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shortlisted. Yes, DESNZ is working at pace to get this over the line as quickly as possible.

- Q21 **Dave Doogan:** I listened to your analysis of Acorn and its position within the two tracks. There will be people in Scotland, not least the investors, who will look at the readiness of Acorn to deliver on the carbon capture, usage and storage prospectus being demoted. Whatever you want to call it—track 1 plus—it is track 2. Also, this £200 million funding to get its business case fully tightened up pales into insignificance compared with the £22 billion-odd that has been invested in HyNet in Merseyside and Teesside.

A lot of people in Scotland will recognise that £350 billion of revenue from Scotland's oil and gas flowed to the Treasury over the last 15 years from Scotland, not from Merseyside or Teesside. Part of the pooling and sharing narrative of Unionism says that we should pool and share our resources and our risks. Scotland's resources have been pooled down to the Treasury all right, but the resources are not getting shared beyond Merseyside or Teesside. Is that a fair assessment of what has been happening?

**Ian Murray:** No.

- Q22 **Dave Doogan:** Do you want to elaborate on that?

**Ian Murray:** Let me go back to Acorn. You can talk down the Acorn project if you wish to do so—

**Dave Doogan:** That is not what I did.

**Ian Murray:** You used the word “demoted”. It has not been demoted; there has always been a track 1 and a track 2 process. Track 1 has been fully funded; it went through approvals because it has its readiness. Track 2—although it is not necessarily a track 2, and it has always been said to Acorn that it was right behind, and next in the queue—has been funded to get it to that stage, and there is a commitment from Government for carbon capture and storage. I see Acorn as a huge opportunity, not a burden. It has all the infrastructure. It has better infrastructure than some track 1 projects.

- Q23 **Dave Doogan:** Why is it not track 1?

**Ian Murray:** That was a decision that was made by the previous Government. It came down to the fact that the heavy industries in the cluster around the track 1 projects were a much readier source of carbon than the Acorn project itself. Despite the fact that Acorn had the infrastructure, it did not necessarily have the level and volume of feedstock that the track 1 processes had. Again, we can write to you to clarify that, but as I understand it, that was the process for it.

In terms of funding, the Scottish Parliament rightly spends its money as it so wishes. Scotland receives £2,300 per person more than England in terms of funding for its public services. There is a record settlement for



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the Scottish Government: £52 billion a year and £9.1 billion in terms of spending on the block grant. As I said in the answer to Ms Murray's question, there is an awful lot of UK Government spending in Scotland that is not included in that block grant, including defence, energy and things like AME spending, whether that is for social security or pensions.

A huge amount of money is spent in Scotland. We do very well in terms of punching above our weight because we contribute to that UK pot and we pool and share those resources. I do not necessarily accept the way in which you have put the question because I do not believe that to be true. Scotland does incredibly well out of pooling and sharing resources across the whole of the United Kingdom.

**Q24 Douglas McAllister:** The spending review announced a £250 million investment in HM naval base Clyde—or Faslane—which is on the boundary of my West Dunbartonshire constituency. Some 6,500 civilian and service personnel are employed there directly, with over 10,000 jobs across the wider economy, the vast majority of which are in my constituency. What will the £250 million over the next three years be spent on, and will that help to secure and support Scottish jobs?

**Ian Murray:** I do not want to spend any time at this Committee talking about global instability because everyone knows that is the case. Maybe I could just use that as the first sentence to segue into the fact that from a Scotland Office perspective, all that is incredibly important. We have seen the increase in defence spending and the commitments made to the Faslane naval base in the spending review as part of our jobs and growth agenda. There is a huge opportunity to get a defence dividend for Scotland, and of course, your constituency and neighbouring constituencies on the west coast of Scotland would benefit from that hugely.

In terms of the £250 million additional funding, it is for the base itself. It is the investment to improve the working environment at the base and the infrastructure that is on site, preparing it, of course, for the new submarines and indeed the AUKUS project. It is a big commitment from the UK Government to acknowledge the importance of the naval base at Clyde, but also in terms of future defence spending and the future posture of the UK concerning that nuclear deterrent.

**Q25 Douglas McAllister:** You mentioned the AUKUS agreement, which will of course support defence jobs right across Scotland. Is there any fear at Government level that the US will review this agreement, which would obviously be concerning for Scottish defence sector jobs?

**Ian Murray:** Yes, the Prime Minister and the Government have been very clear that the decisions on defence spending here are driven by the fact that we have to drive forward a much clearer and much more locally grown defence in that sense. Supporting NATO is sacrosanct, as are the international alliances that we have, but standing on our own two feet is also important. That was why the commitment was there to increase the





defence spending to 2.6% in 2027, and of course, to sign up to the 5% that NATO is discussing today or tomorrow, at the NATO summit that is happening in The Hague this week.

The US is our closest security and defence ally. There is intelligence sharing happening between the US and the UK on an intra-daily basis, in all four corners of the globe. That AUKUS project is really important to that, bringing Australia into that process as well, of course. But our own defence, in terms of the contribution that the naval base at Clyde provides to that, is completely critical not just to the UK and to wider allies, but also to our NATO involvement.

**Q26 Mr MacDonald:** Minister, could you give us an update on the relationship between you—the Scotland Office—and the Scottish Government in relation to the investment zones and green freeports in Scotland?

**Ian Murray:** It is very positive. We have discussed this at Committee before. Just 72 hours after the general election, the Prime Minister hot-footed it to Scotland, as he had promised to do, to meet with the First Minister and make it very clear that he wanted to reset the relationship between the UK and Scottish Governments. This was on the basis that the relationship had not been good before between both Governments, but also that having an adversarial relationship would not deliver the mutual aims and goals that both Governments have to improve the lives of people in Scotland. The missions that we have as a Government can only be delivered in the Scottish context by working hand in glove. The green mission is an example, through planning, consenting and the devolved and reserved matters that lie alongside that.

We are working very closely together. The relationship has been reset rather than is resetting. We are working very closely to make sure we can build on some strengths that we have in the Scottish context. Of course, we are also working with local leaders. The governance structures around the green freeports and the investment zones, for example, have built up over many years through the deal processes, so those governance structures are working well. We are meeting with them both individually and together to maximise the benefits of those four investments in the green freeports in the Scottish context.

The Cromarty Firth green freeport has been fully approved now by both the UK and Scottish Governments in terms of its business case. That full business case has been signed off. The good news is from that business case, both Governments agree—both independently and collectively—that it will generate £6 billion for the local economy and 18,000 jobs. The challenge now is to get this done at pace, get as many jobs in as possible, and make sure the infrastructure is there for those people to be able to work and live in the highlands and islands.

**Q27 Mr MacDonald:** Kirsty McNeill, you gave a very useful briefing to the highland MPs yesterday, which was really appreciated by everybody who attended. Can I touch on one other thing that is related to that? It is felt





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quite widely that the major cities are benefiting from, say, the Inverness city deal and the Inverness and Cromarty Firth green freeport. Major cities are reasonably prosperous in comparison with rural Scotland, where we have very high energy prices, our transport infrastructure is rubbish, our ferries are worse, and there is a centralisation of public services in the cities. We have a fast-ageing population and our school rolls are collapsing. Rural—particularly remote—Scotland is having a catastrophic time. Would you comment on how the Scotland Office could help those areas?

**Kirsty McNeill:** I also found having the conversation with you all yesterday very useful. One of the things I am charged with—partly because of the allocation of portfolios inside the Scotland Office and partly because of the Scotland Office role across the UK Government—is impressing on all colleagues with decision-making power across Government the rurality of Scotland. If I could land with every Government Department one thing about Scotland, it would be that. The nature of our rurality means that decision making needs to be sensitive to that. Ian and I spend a lot of time championing that across Government.

We have been doing sessions with different groups of MPs on the growth deals. Every member of the Committee that represents a Scottish seat should have had an invite to one of those already, and we will do a wash-up one for those of you who were not able to make it, to make sure you all have access to the same information at the same time. One of the trends that has become very clear over those conversations is exactly the anxiety that you have described: the deals do best for the places at the centre of them, and the periphery of the deals is not benefiting as much.

We just need to dive into the data to check whether that is true. We have given an undertaking as the Scotland Office that we will do that. We will scrub the data to determine whether that is an impression or a reality, and we will share that with the Committee and with all Scottish MPs. We just need to know, and then officials will get that to you as soon as we have done the analysis.

**Anna Macmillan:** I want to offer the reassurance that at the Scotland Office, across the board, members of staff are all very well aware of the rural needs. As a highlander myself, I can absolutely reassure you that the needs of rural Scotland are taken into consideration in every conversation we have.

**Ian Murray:** You might be very pleased with our director appointment that is just about to be announced, in terms of her location.

**Mr MacDonald:** I await it with excitement.

**Chair:** You can bring out the champagne next time, Angus.

**Mr MacDonald:** Whisky.



**Q28 Dave Doogan:** Angus's point about collapsing school rolls and the challenges in recruiting service sector employers in rural and urban settings in Scotland is a demographic one, isn't it? There are not enough people to fill those roles, and the problem that we have in Scotland is we can either breed our way to a higher population, or we can have policies that invite people to come and make themselves new Scots, living and contributing to the economy and society of Scotland. The problem Scotland has is that, while we remain in the Union, we will always have the immigration policy that England wants, and England wants a very different future than Scotland wants. How do we square that circle while we remain in the Union?

**Ian Murray:** I am astonished that that is your second question and you have mentioned independence twice.

**Dave Doogan:** Really?

**Ian Murray:** Not really, but a thought for the record. We had this debate in the House of Commons with a private Member's Bill from your colleague. There are bigger challenges to think about in terms of the depopulation of Scotland, and we have heard some of those already from Mr MacDonald. There are huge opportunities, but is the infrastructure and housing there for people to be able to take up those opportunities? I suspect the answer to that is no.

You will have seen reports today that, despite a housing emergency being declared in the Scottish Parliament by the Scottish Government, house building is dropping and will continue to drop to record low levels. If we have net migration in the country of 900,000, which was the figure two years ago—it has obviously dropped since—why do we not have a pool of people coming into Scotland? The quantum of people does not seem to be the problem because the quantum is coming in in record numbers, and even more than when we were in the European Union. How do we sort out the infrastructure issues to make sure that places, particularly the most rural and remote, are not only attractive for people to live in but that there are also job opportunities and the infrastructure to support people while they are there? This is not a one-stop shop in terms of trying to find a single solution. There has to be a plethora of solutions across a whole host of areas, whether it is in public services, public infrastructure, public policy or migration. I have yet to see a significant or satisfactory answer. If net migration is at its highest level in history, why is there still depopulation in Scotland?

**Kirsty McNeill:** Another issue that has emerged from the conversations we have been having on the basis of the growth deal regions is that we need another mechanism for parliamentarians to talk to Government regionally so that they do not have to rely on being able to ask questions on the floor of the House or in settings like this.

Yesterday, I made an undertaking that we would set up regionalised cross-party groups of MPs so that we can dig—not through the prism of



the growth deal but through the prism of all levers that are available to all levels of Government—into the challenges in the highlands and islands with depopulation, the challenges in the north-east with gas transition, and so on. We need to give you a mechanism to do a deep dive into what is happening and what we need to have happen. The growth deal has been the mechanism to have that conversation so far, but I think we need something wider. We will crack on with organising that in the Scotland Office.

**Q29 Mr MacDonald:** In a report, the Highland council stated that 50% of the young want to leave the highlands when they finish their education. We know that we have an enormous number of jobs coming through from transmission lines, renewables, etc. One very easy and cheap solution would be to set up STEM colleges within the existing UHI network in Fort William, Portree, Stornoway, which would allow people to train for those jobs. At the moment, they are very arts based and a very small amount, even £5 million, would allow that to happen. That would make a very big difference.

**Ian Murray:** To make a general comment on that: when we have talked to growth deal partners about what the next stage looks like, one issue has been that it is all about quantum of money, etc., but one of the key drivers of what could happen in local growth is the devolution of skills. For example, I know the Edinburgh city region deal very well because that is where I am based and where I live, but they want skills and transport devolved to them so that they can do that on a more local level. I think the devolution to the remote and rural areas that you are talking about would help that skills agenda. The Highland council has been speaking to us a lot, and its biggest drive now is to try to get those 24,000 new homes in the highlands and islands so people have somewhere to live.

There was a Scottish Affairs Committee report by one of your predecessor Committees, probably in 2016, which talked very clearly about depopulation and what was driving those numbers. The largest element was 19 to 26-year-olds leaving after either tertiary or higher education to mainly go south to London or Manchester for jobs and opportunities. If we can crack the opportunities part and do something about the skills and infrastructure part, we might at least be in with a shout to divert some of the depopulation, particularly among young people.

**Mr MacDonald:** I would have you made a Peer as a result.

**Q30 Chair:** Secretary of State, I had planned to ask you if the increase in funding for the Scotland Office reflected a strategic shift in the Department's role, but I think you identified that when you talked about the cross-cutting nature of it. How can those increases be justified, given the drive for efficiencies across other Departments in the UK Government?



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**Ian Murray:** There is a drive for efficiencies in the sense of what the Government have been trying to do through the spending reviews, and to shift the day-to-day spending from administration of Government Departments to frontline priorities in terms of programme budgets. That has not been different in the Scotland Office. Brand Scotland is our biggest programme budget and has been fully funded to the tune of £3 million to the end of that spending review process. It is doing a lot of great stuff.

Is there a justification to make? Not really, because a number of things fall from that. First, Scotland is incredibly important, not just for delivery of the UK Government's missions; it is incredibly important full stop. Secondly, there is a recognition across Whitehall, both at civil service and political level, including around the Cabinet table, of how important Scotland is and how much of a contribution it will make towards our national missions.

Thirdly, the Scotland Office, in terms of a Department of Whitehall, punches well above its weight. Do not underestimate the power of not just having 37 MPs sitting on the Government Benches making a case, but having Scottish MPs across the Chamber making a case, whether it be for the Acorn project—I know Mr Doogan asked about that at Scottish questions a number of months ago—or on oil and gas and investment in the north-east. The contribution that Scottish MPs are making generally is hugely important. Do not underestimate the power of 37 Scottish Labour MPs sitting on the Government Benches, impressing on the Government how important Scotland is.

**Anna Macmillan:** From a departmental perspective, I would like to reassure you that we are all seeking efficiencies and the Department has combined services with colleagues in the territorial office in Wales over recent years. We share financial services. We are always looking to push down our costs in terms of travel—T&S—and using technology whenever possible to be more efficient in the way we deliver for the public.

**Chair:** We are now going to move on to some questions about Brand Scotland.

Q31 **Maureen Burke:** Why was the Brand Scotland programme publicly announced in the autumn Budget before the full business case had been approved by the Treasury? What assurances were in place at that stage to ensure value for money and deliverability of the programme objectives?

**Ian Murray:** This is normally what happens in terms of the process. You would make a bid to Treasury for the funding of a particular project and it would determine whether or not, in principle, it would support it. The Budget announcement in that sense is the principle, and when the Treasury says through the Chancellor that it will support the project, then the Department has to develop the full business case to justify what it is



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trying to do. That then happens in the following few months in the run-up to the start of the financial year when the funding becomes available.

The full business case was easily approved by the Treasury because it was very strong; the funds were released, and we have already been taking Brand Scotland around the world. Before the full business case was approved, we were in Malaysia and Singapore. We launched it in Norway, we have been to New York for Tartan Week, and Minister McNeill led an all-women delegation to Spain at the start of this month, so the Brand Scotland project is growing arms and legs. We have written to all UK missions across the world offering some funding, if any Scottish businesses are in the region or want to export to it. Through the embassy and missions, they can fund some activity on the ground.

It is a huge project. The world is a big place. Although £3 million does not sound like a lot, in the context of the Scotland Office it is allowing us to do a lot of exporting with our FCDO and Trade colleagues.

**Maureen Burke:** It is good to see that it is being promoted worldwide.

**Q32 Dave Doogan:** In the UK context, what regions of the United Kingdom could Scotland learn anything from in terms of branding?

**Ian Murray:** In terms of across the world?

**Dave Doogan:** In terms of global reach and prominence. Where in the UK is showing Scotland how it is done?

**Ian Murray:** I am not quite sure I understand the question.

**Q33 Dave Doogan:** The Scotland Office is driving Brand Scotland. That will be true for the Department for Business and Trade and the FCDO, subsidiary to that. What other areas of the United Kingdom are outperforming Scotland in branding terms?

**Ian Murray:** I see. The genesis of Brand Scotland, and everyone will know this, is that wherever you go in the world and talk about Scotland people automatically think of and imagine the products that we have here: whisky, salmon, tartan, and our cultural experiences. There will probably be some professional services as well because of our footprint across the world.

In the development of Brand Scotland, we thought we should exploit those door openers in order for us to be able to export more, to encourage Scottish business to export, to get more inward investment, and to also allow the UK Government to use its massive footprint—there are missions in pretty much every part of the world—to help exploit that.

When I was a member of the Foreign Affairs Committee and went to foreign missions, particularly in places like China, there seemed to be a bit of a silo: this is Scottish therefore SCDI would do this, or one of the Scottish bodies would do that. We have now broken that down and are



working hand in glove with the Department for Business and Trade and the FCDO. We are trailblazers in this because the Welsh Office obtained funding for Brand Wales in the spending review and are going to start this project.

The other genesis of it was that I was very frustrated. Whenever I went anywhere in the world, particularly to North America, we had this huge diaspora community but did not do anything as well as the Irish. St Patrick's Day is huge; it is a massive opportunity for Irish businesses to be part of a global scene. We are trying to emulate that and make sure we can use the full force of the UK network.

**Dave Doogan:** So is Brand Scotland the UK's principal brand?

**Ian Murray:** No, the GREAT campaign is the UK's principal brand. That has now been running for the best part of two decades. Therefore, it runs parallel with the GREAT campaign, but we cross-contaminate each other. What we are trying to do with Brand Scotland is make sure that whenever the GREAT campaign is doing something, Brand Scotland is part of it. A good example is the expo in Japan. We sent the Royal Edinburgh military tattoo there to be part of Brand Scotland as part of the UK expo. It is about working together and getting most bang for our buck. We only have £3 million. The FCDO and the Department for Business and Trade not only have many multiples of that, but they also have a much larger network.

Q34 **Harriet Cross:** Will you be publishing a strategy for Brand Scotland? If not, how do we understand how taxpayers' money and deliverables are being spent? How are we going to measure it? Will there be a report in this year's accounts and what are you going to focus on?

**Ian Murray:** Brand Scotland will be reported as part of the Scotland Office's annual report, as would always be the case. It has to be a flexible programme because we are trying to encourage Scottish exporters to export more and for Scottish exporters, who are thinking about exporting but have not done so yet, to start exporting as one of the biggest elements of it. We can help seed support for that and seed some funding. We are trying to make sure that the trade deals signed with the US, the EU and India are exploited by Scottish businesses so they get the most out of them. We are also leading trade missions, as Minister McNeill did to Spain with the all-women trade mission earlier this month.

It has to be designed fluidly. We have set up a fund delivered through the 168 missions across the world where businesses can apply for between £3,000 and £20,000 of grant funding for events in-country to develop this relationship. It is very much a fluid programme. It is defined by the budget that we have, which is £750,000 a year. It is unique in terms of our soft power because there are some immeasurables here. We have signed the strategic partnership with the Royal Edinburgh military tattoo as a door opener. We have just signed a £100,000 strategic partnership with the Scottish chambers of commerce to use their networks





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internationally, and all that will be reported in the Scotland Office's annual report as would be the case normally.

**Kirsty McNeill:** If I could just add, one of the reasons why the strategy is emerging is because it is supposed to prime innovation. There is a pot of funding available to our overseas network to come forward with ideas because they know their markets best. We are hoping to surface all that expertise around the world. I want to impress upon Committee members how impressed we have been on overseas trade missions, not just with the open door that you get because Scottish produce is a hallmark of quality but also because there is a real affection, as you will know, for Scotland around the world among those business partners. The overseas network is also raring to go to help Scottish businesses export, so if you have businesses in your area that want to export, that network is so expert and enthused by the fact that they have been offered this opportunity to innovate.

Q35 **Harriet Cross:** To confirm, because it sounded like you were saying slightly different things, will a strategy be published? Is there one coming, or is there never going to be a public strategy?

**Ian Murray:** We have the full business case, approved by the Treasury, which sets out what we are trying to achieve with the money. Broadly, there are three pots. The first pot is trade missions, the second is being able to help and encourage exporters to export more, and the third is trying to encourage inward investment. There are three pots to this, and the business case is there to drive us forward because it is the business case approved by both the Department and the Treasury. That is why we are able to do the kind of activity that Minister McNeill has highlighted.

Q36 **Harriet Cross:** So there will be a strategy that everyone can see, and that we can hold the success or otherwise—let's hope success—of Brand Scotland to. We will be able to see and use it so exporters know what they will be working towards, and it is going to be there and transparent for everyone to see.

**Ian Murray:** There are a few things that fall from that. First, if any business in your constituency thinks there is a market it can try to exploit, tell it to get in touch and then we can perhaps put it in touch with a mission in-country. There is some grant funding available, between £3,000 and £20,000, which it could access to help it to do that. Secondly, if we are not spending this money as we said we would spend it, then I would imagine the Treasury would not be keen to give it to us.

Q37 **Harriet Cross:** How aligned is the strategy with the Scottish Government's 10-year plan?

**Ian Murray:** They are complementary, not in conflict. They are supposed to complement each other and not compete. This is Scotland Office's drive, through UK trade and Foreign Office networks, to try to improve exporting, sell more Scottish products to the world, and get more inward investment, so they are complementary to each other.



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If you look at the three big trade deals that have been done so far in terms of the EU, the US and particularly India, and the whisky context because it has been the most stark, what we now need to do, from my perspective, as a Brand Scotland initiative, is to operationalise those great opportunities for whisky in-country in India. How can we support that, both as the Scotland Office through an initiative like Brand Scotland or, indeed, the FCDO and DBT on the ground in India? That is the key to unlocking the huge potential of the trade deal; not just for big multinational companies, but for the whole of our supply chain all the way down the whisky sector.

- Q38 **Harriet Cross:** As the two strategies are complementary, how will you attribute success to one or the other? Coming back to not having a published strategy, how will we know if success is down to Brand Scotland or not?

**Ian Murray:** In all honesty, I do not see it that way. If a business in your constituency ends up exporting more to India on the basis that we, or the Scottish Government, have done something, I do not care who wants to take credit for that. I need one—

- Q39 **Harriet Cross:** I do not think businesses will either, but it comes back to spending public money well. Are we effectively putting the same money in two places for two different Governments to do the same thing?

**Ian Murray:** No, because our mission network is designed through the grant funding, in particular the £3,000 to £20,000 to help individual businesses and organisations go to them directly to look for that grant funding. I do not think that grant funding is available through the Scottish Government's processes.

- Q40 **Harriet Cross:** I assume you have sat down with the Scottish Government and discussed the two strategies together.

**Ian Murray:** The Cabinet Secretary is not overly impressed with Brand Scotland but we are working together to try to make it as fruitful as possible.

**Anna Macmillan:** I would add, at an official level, that there are lots of conversations in the Scottish Government on this. The Brand Scotland fund has been mentioned, and posts can bid into it to create events or activities overseas. It is open to Scottish Government SDI colleagues as well. They have access to it and work very closely together at post with FCDO and DBT colleagues, so it is very much joined up.

**Kirsty McNeill:** Obviously, the reach of the UK Government's overseas network is much wider so, hopefully, that will help with attribution because we are in many more places with expert advice. The other place you are right to push us on is making sure there is alignment so that we are spending the money well and there is no duplication.



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The other area that we could come back to in a future Committee is whether we are aligning well enough with Scottish cities as well. When I met with the Scottish Cities Alliance, a number of Scottish cities were very keen on international promotion; we need to make sure that that is mutually reinforcing and not duplicative or wasteful in any way.

**Ian Murray:** To highlight, the Glasgow chamber of commerce has recently been to Shanghai. The interim director of the Scotland Office accompanied them to try to get some big projects over the line. We are all looking for measurables, but some things need a nudge from Government to get them over the line. Hopefully, we will get some very fruitful conclusions to that particular trip from the chamber of commerce.

**Chair:** We are going to move on to a question about US trade tariffs.

Q41 **Mr MacDonald:** I understand that Britain has a trade surplus with the United States, yet we have accepted a trade agreement where we are going to be paying 10% tariffs to the United States. To start with, that hurts. Could you explain what you think the implications to Scotland are from our trade agreement?

**Ian Murray:** The strategy of the Government in terms of trade deals in general, and the US in particular, is to make sure we are doing everything in the national interest. We have lower tariffs with the United States than anywhere else in the world. It was really important to get that over the line. There were tens of thousands of jobs on the line almost instantly in terms of the car industry, for example. We had to make a major legislative intervention at pace on British Steel, and that was under threat as a result. We have managed to work at pace to get a deal with the US, the first deal, across the line. Indeed, the Scotland Office was in Washington with Brand Scotland on the day tariffs were introduced, and there were lots of discussions about trying to get that UK-US trade deal across the line as quickly as possible. Everything has been done in the national interest, and we are in a much better position today than we were before that trade deal was signed. Now it is a case of us trying to make sure that the i's are dotted, the t's are crossed, and it is operationalised as quickly as possible.

Alongside that, you have to look at the EU, US and India trade deals—three massive trade deals. I do not want to talk in slogans, but India is the fastest growing economy in the world, the US is the largest economy in the world, and the EU is the largest trading economy in the world. We have done complementary deals with them all. We could not have done a deal with the EU had we not made this particular deal with the US, in terms of restricting items that would contravene, for example, the very high standards of EU food safety. The consequences for Scottish businesses should be incredibly positive.

Q42 **Mr MacDonald:** With the tariffs on agriculture and Scotch whisky, for example, do you not think that there will be a particularly negative impact on Scotland?



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**Ian Murray:** The 10% tariff on Scotch whisky is a concern. It is low but, hopefully, the direction of travel you can see in our relationship with the US is very positive in trading terms. Having spoken to the industry, I am confident. It is worth saying that every single sector and business leader, including the Scotch Whisky Association and others, are very supportive of the Government's approach in terms of being pragmatic and level-headed rather than doing trade deals on a Friday evening on Twitter. That is really important because we now have what is in the national interest, and it is the start not the end of our relationships, particularly with the EU. If you look at the balancing of the India trade deal as a whole for the Scotch whisky industry, which has been decades in the making, it is hopefully a very supportive package. Wherever you go, whichever distillery you are in and whichever whisky you are drinking, it will have a hugely positive effect on those distillers.

**Chair:** We are now going to move on to some questions about Grangemouth.

**Q43 Dave Doogan:** The concern many will have around Grangemouth and Project Willow is pace and the gap between the ending of refining operations and something coming to back-fill it. That is not a controversial observation. What is your assessment of that threat? What is your Department in the UK Government, working with the Scottish Government more generally, doing to try to accelerate that priority?

**Ian Murray:** In all honesty, I do not think it is threat. I think it is a reality now because the refinery has closed. The vast majority of those jobs have gone, save for the decommissioning jobs and those that have to be there for safety. That gap has always been the biggest concern. Whether it be Project Willow or the Falkirk and Grangemouth city deal, it has to be about pace as well as getting it online as quickly as possible.

Pace is a problem. It is not just about regulation or investment; it is also about consenting and all those issues coming together. There is a whole matrix of overlapping reserved and devolved areas, which is why both Governments have to work closely together with Scottish enterprise and the local authorities involved.

The commitment to ringfence a minimum of £200 million in the National Wealth Fund was to say to investors, "Look at Grangemouth, bring investable propositions to the National Wealth Fund and we will look at those at pace with this ringfenced money." That is a minimum because if there are other projects that come along that require the National Wealth Fund then it will obviously invest in those.

The Scotland Office is taking a leading role in terms of chairing the ministerial committee at UK level to constantly update on where we are with Grangemouth, how we are pushing it forward through the GFIB, what opportunities are available, and if stuff outside Project Willow is available. Companies are contacting us all the time; there were 56 expressions of interest in terms of what to use the site for. All the parties



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are working together, but pace is the big issue. We are trying to inject as much pace into it as possible but some projects will take a little time to get off the ground.

**Q44 Dave Doogan:** Can you give the Committee an example of what the Scotland Office is doing to accelerate this?

**Ian Murray:** I can give you a number of examples. I was appointed to the role of Secretary of State at 5 pm on Friday 6 July, and at 8 am on Saturday 7 July I was in the Scotland Office being briefed on the issues at Grangemouth. Without putting too fine a point on it, both previous Governments had failed to look at the seriousness of the issue of Grangemouth as it had been three years in the making. While we are trying to work very much at pace, we are starting three or four years behind the tide, which is what many of us have said to this Committee in terms of where we are with the timescale. We are trying to inject pace into it.

The Prime Minister has done three things: he commissioned the Scotland Office to come up with a solution to Grangemouth post the refinery closure, which is where the £200 million and the other package of measures around workers came from. The Scotland Office has been commissioned to chair the cross-ministerial group, which we are pushing at pace. I write to the Prime Minister once a week to update him on what is happening with Grangemouth. This is right at the top of the UK Government's agenda and, to be fair, we are working very much hand in glove with the Deputy First Minister as well.

**Q45 Dave Doogan:** It is £25 million from the Scottish Government and £200 million from the National Wealth Fund. That £200 million allocation from the National Wealth Fund is interesting. It is supposed to be operationally independent, yet the Prime Minister announced it unilaterally. How does the Government square that circle? The National Wealth Fund is operationally independent until the Prime Minister wants to throw some of its money around?

**Ian Murray:** It is operationally independent in the sense that projects that come forward to bid into that £200 million ringfence will still have to be investable propositions under the remit of the National Wealth Fund, but it was a commitment from the Government to say, "We are confident that there are some big investable propositions here. If there are investors out there who are circling Grangemouth or are interested in having a look at or are curious about Grangemouth, the Government are backing it with National Wealth Fund money." There is obviously money from the Scottish Government as well. There is £200 million from the Falkirk and Grangemouth growth deal, of which £20 million is allocated to the Grangemouth site. It is operationally independent, but the analysis of the funding will be operationally independent. The Prime Minister cannot say, "Go and fund that particular project."



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There are two things that fall from that. It will be good to see how the £25 million from the Scottish Government will be allocated; we have yet to get clarity on that as a ministerial group. Going back slightly to the Acorn conversation, in the Programme for Government the First Minister committed £60 million to £80 million plus—it was pretty much open-ended—for Acorn. Now that the commitment has been done for the £200 million development funding, it will be interesting to see what the Scottish Government's spend profile is on that commitment to Acorn as well. It is going back to Ms Cross's question about Brand Scotland: there is no point in us competing for funding. We should bring all this together to show investors that there is a big pot of money out there if they wish to come and join Grangemouth's bright future.

**Q46 Dave Doogan:** Of course, energy is reserved to Westminster, not devolved to Holyrood. A final point about Ineos and its behaviour: are you confident that we, and the workers at Grangemouth, can rely on Ineos as an honest broker when it comes to Project Willow? Hopefully, multiple things will come from Project Willow, but it is required to create and stand up a facility on site at Grangemouth where Ineos will very likely be the landlord. What exploratory work have we done? Do we have a memorandum of agreement? Do we have any undertaking from Ineos that it is behind the ambitions of Project Willow and that it will do its best to help facilitate it?

**Ian Murray:** To be fair to Ineos, it did facilitate Project Willow. It worked very closely with the consultants to get Project Willow together because it had to drive it in terms of what the site's capability was, and what the site currently has on its footprint. I have never had anything other than good faith discussions with Ineos with regard to Project Willow. Senior Ineos personnel at the plant have been there for a long time. They care about the plant, and they want it to have a bright future. They live and work in the area too. They know the devastation on the community caused by the refinery closing, so they want Grangemouth to have a bright future. At this moment in time, I do not have any concerns. Ineos is operating in good faith and has driven most of the Project Willow process forward.

In terms of energy, devolved and reserved, regardless of where those responsibilities lie—whether it is in energy economic development, planning, and so on—the First Minister has indicated that there is a pot of money to be spent. Therefore, let us make sure it is spent well.

**Chair:** We are going to move on to some questions about the space sector in Scotland.

**Q47 Susan Murray:** We are aware that Scotland is facing increasing international competition on space launch. To what extent is the UK at risk of losing its first mover advantage? How can the UK Government ensure we excel in leading on this opportunity?





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**Ian Murray:** A great question. I have been to see the spaceport, and I understand the Committee went to have a look last month as well. It is a spectacular place, and we should be making sure we can exploit that to keep the first mover advantage. The investment of £20 million has gone into making sure there are UK manufactured rockets and UK launch capability.

In the industrial strategy, which was published on Monday it is mentioned that we want the UK to remain a European and world leader in space launches. You have seen it yourselves. I have seen it too. I have been up to visit it and encourage everyone to go and visit the site itself and see what it is doing up there. It gives us two opportunities. One is for us to exploit the great capability we have up in Shetland and other places as well across Scotland. It is also a great opportunity for us to pull out all our space puns in answers to questions.

**Q48 Susan Murray:** We know how vital UK Government support is for Scotland's launch sector, but public funding is lower in the UK compared with Europe. To what extent does the current level of UK Government support match the scale of the opportunity that is presented?

**Ian Murray:** I have mentioned the UK Government's commitment of £20 million for Orbex. The UK Space Agency is offering another £5.5 million to the international bilateral fund to support partnerships between UK organisations and international space entities. The UK Space Agency accelerator is open for use as well to early-stage businesses to attract more investment into the spaceport, as well as the supply chains around it.

There is a huge investment opportunity, and it is mentioned in the UK's modern industrial strategy 2025 as part of the advanced manufacturing sector. It commits to prioritising frontier manufacturing industries with the greatest growth potential, including in space, in Scotland. It is specifically mentioned in the UK Government's modern industrial strategy, which is hot off the press. I am confident that we are supporting the space sector in Scotland and across the UK as much as we can. There are also other funding opportunities if businesses wish to meet and choose to use them.

**Q49 Susan Murray:** The Committee has visited the spaceport and it is clear that transport links are one of the biggest challenges for the growth of the site, so what can the UK Government do to ensure that Scotland's transport infrastructure supports the potential growth for all industries in Scotland?

**Ian Murray:** Infrastructure is a big issue; there is no doubt about that. Transport is devolved although we, as the UK Government, have been funding feasibility studies into transport connections. You have been on it yourself; there are three ferry connections. They have to all work and be there at the same time. I know using the "F" word in a committee where Scottish National party members are present is not necessarily the best



thing to do, but those ferry connections are precarious. SaxaVord would have explained that the capability it now has means that the size of the rockets and infrastructure it requires is outgrowing the size of the ferry fleet to get them up to the spaceport, so there are lots of discussions going on about how that can be resolved.

I know that councils in the islands still have proposals on the table to look at feasibility studies on tunnels. That is not on the agenda for the Scotland Office at the moment, but we will continue to discuss it with Shetland council in particular.

- Q50 **Chair:** The UK Government have accepted the strategic defence review's recommendation that there should be a Cabinet sub-committee on space strategy. How do you think this will help align cross-departmental efforts to support the success of launch in Scotland? How much involvement, if any, will yourself, as Secretary of State, and your Department have?

**Ian Murray:** I talk about the space sector in the Scottish context a lot with

Cabinet colleagues. There is obviously a plethora of different Government Departments that have an interest in this, including the Scottish Government. We all have to champion the space sector and what its capabilities are.

Given that it is in the industrial strategy under the advanced manufacturing section, there is now a real opportunity to look at the individual sectorial plans, which have been published alongside the main industrial strategy, and try to exploit those. Our biggest challenge is that we have some really brilliant opportunities in Scotland, whether it be Acorn, defence or space, and our job in the Scotland Office is to make sure we can exploit them as much as possible for the benefit of the Scottish economy in terms of jobs and growth. That is what we do day in and day out, and what we will continue to do working hand in glove with our Scottish Government representatives and colleagues.

- Q51 **Chair:** Will you be involved in the cross-departmental committee?

**Ian Murray:** I am not sure as yet. I do not know the answer to that question. Do we know?

**Anna Macmillan:** I do not think there have yet been discussions on the level of that, but we can certainly look into it and come back to you.

**Ian Murray:** If you want to make the case for us to be involved, it would be very welcome to see that in your report.

**Chair:** I tried to make the case to the Prime Minister for a Minister for space which would be very interesting, but he felt he probably had enough Ministers to go around for the moment.

Our final question today is about the role of the Lord Advocate.



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**Q52 Douglas McAllister:** The Lord Advocate is a devolved law officer. The office has had a dual role as the legal adviser to the Scottish Government and, therefore, a member of the Scottish Government, but also head of the Crown Office and Procurator Fiscal Service. There is no similar dual role in England, Wales or Northern Ireland. Is there an actual or perceived conflict of interest there? If so, should the role of Lord Advocate be reviewed?

**Ian Murray:** This is a discussion and debate that has been going on for some time. When you talk to colleagues in England and Wales about this, they are astonished that those two roles are with one person. That is no criticism of the Lord Advocate, whoever holds that role, but that dual role is difficult and the Prime Minister has made that clear too. With the Prime Minister having been the Director of Public Prosecutions, he would have found it very difficult to operate as a dual role while sitting in Cabinet at the same time.

I think those roles should be split. It is a difficult process because there are devolved and reserved functions. The Scotland Office has been looking at what the split of those responsibilities would be. The advice I have at the moment is that it would probably require an alteration to the Scotland Act 1998, and the driver of the change of policy would have to come from the Scottish Parliament. There is a bit of a mix of devolved and reserved functions as part of that.

It is Scottish Labour party policy, as I understand it, but it might be Scottish Liberal Democrat policy as well. There have always been questions raised within the Scottish Government themselves about whether the role should be split. If there is a desire from the Scottish Government to do this, we as the Scotland Office are ready to support it.

**Q53 Douglas McAllister:** You would not necessarily regard it as a requirement of the UK Parliament to legislate to split the role; you see that resting with the Scottish Parliament to instigate.

**Ian Murray:** The instigation would have to come from the Scottish Parliament, but there will be legislative implications for the Scotland Act as I understand it. Although, until a proposal comes forward, it cannot be fully assessed in terms of what would be the requirements to split the roles. It would be in the interest of the Lord Advocate more than anything else, because of the accusations of that conflict of interest, perceived or otherwise, to have that role split.

**Chair:** That brings us to the end of our session. Thank you very much, Secretary of State, Minister McNeill and Ms Macmillan, for the time you have given us today. We look forward to seeing you on the next occasion you come before us.