House of Commons

Scottish Affairs Committee

Oral evidence: Secretary of State for Scotland, HC 941

Monday 6 December 2021

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Watch the meeting

Members present: Pete Wishart (Chair); Deidre Brock; Sally-Ann Hart; John Lamont; Douglas Ross.

Questions 1-58

Witnesses

I: Rt Hon Alister Jack MP, Secretary of State for Scotland, Office of the Secretary of State for Scotland; Iain Stewart MP, Parliamentary Under Secretary of State (Minister for Scotland), Office of the Secretary of State for Scotland; The Lord Offord of Garvel, Parliamentary Under Secretary of State, Office of the Secretary of State for Scotland; Laurence Rockey, Director, Office of the Secretary of State for Scotland.

Examination of witnesses

Witnesses: Alister Jack, Iain Stewart, Lord Offord and Laurence Rockey.

Q1 **Chair:** Welcome to the Scottish Affairs Committee. Today we are delighted that we have the whole Scotland Office team, and it is a pleasure to see you once again, Secretary of State. Thank you very much to you and your team for coming along to help us out with a series of questions this afternoon. Before we get started, perhaps you could introduce yourself and your colleagues and say something by way of a short introductory statement.

Mr Jack: Thank you very much, Chairman, and good afternoon to you and members of the Committee. I am very pleased to see you all again, and I am very pleased to see you this time in person. We have had a few virtual sessions in the past, and it is very nice to be here in person.

I will just introduce my team before I make a statement. I will start by introducing Laurence Rockey, who is the director of the Scotland Office, and Iain Stewart, who is Parliamentary Under Secretary of State. I am also pleased to introduce Malcolm Offord—Lord Offord of Garvel—to the Committee. Malcolm is a new appointment and brings a wealth of knowledge and experience from a successful business career. He has a track record of supporting Scottish exporters, and we are very privileged that he has put that expertise at the disposal of the Scotland Office as we seek to help our business community to take advantage of the exciting new global trade deals that the United Kingdom Government are signing.

We last met in person quite some time ago, and a great deal has happened since then, so I am very keen to update Members. With your indulgence, Chairman, I will touch on three broad themes: our efforts to build back better after the pandemic, our efforts to tackle climate change, and our efforts to strengthen devolution. The first broad point I would make is that our economy is performing well—incredibly well, given the brutal impact of the pandemic over the past two years. The UK economy is, in fact, the fastest-growing economy in the G7 this year. In Scotland, our total exports have risen by over 4% this year and are estimated to be just over £87 billion. We are seeing fantastic resilience out there, and it is clear that decisions the UK Government took to protect the economy were exactly the right actions at that time. Our furlough scheme and support for the self-employed helped protect nearly 1 million jobs in Scotland. Since I last appeared before the Committee, we have been able to replace the furlough scheme with more targeted support for training and youth employment. I am pleased to say that, across the United Kingdom, employment is now above pre-pandemic levels.

I would also say that we have not seen the increase in unemployment that, at the time, some people feared as the furlough scheme came to an end, so I hope all members of the Committee can now share my hope that we are bouncing back. We remain vigilant and alert to new variants, such as omicron. We urgently need to get booster jabs into people's arms, but we must not retreat from the huge strides forward that we have made to take our economy forward and get it back on track.

There is one reason I place such huge importance on new and ongoing schemes led by my Department and other UK Government Departments: they will really help to boost our economy at this absolutely critical moment. I would bring into that the £1.5 billion city and growth deal programme, which totals 12 deals and now covers the whole of Scotland, and our commitment to create UKNET, a UK strategic transport network, following the recommendations of Sir Peter Hendy in his Union connectivity review. Chair, you will be aware that the review was published towards the end of last month. I have no doubt that it heralds an unmissable opportunity to connect up the home nations of the United Kingdom much better, and to fire up our economy as a result. As you know, I have been critical of the Scottish Government for refusing to engage with Sir Peter and his review, but I hope that now it is published and people can see for themselves the strength of the proposals, the Scottish Government will have a change of heart. I repeat today my offer to work with them to improve Scotland's transport links. Finally, the third project that I would mention in that regard is freeports. We are committed to delivering at least one freeport for Scotland and, again, I hope the Scottish Government will drop their opposition to the idea and work with us on what I think is an exciting project.

The final example I want to give of the UK Government stepping in and really making a difference is perhaps the most exciting of all: the delivery of our structural funds projects, including the levelling-up fund, the community renewal fund and the community ownership fund. Since I last spoke to you, successful bids have come in for all three funds, and I am pleased to say that more than £190 million has been allocated to projects right across Scotland. The funds all demonstrate the direct link between the United Kingdom Government and local communities. Councils and other local delivery partners are best placed to understand the priorities of the communities they serve. Dealing directly with them is real devolution.

The second theme I would like to touch on briefly is our efforts to tackle climate change. COP26 rightly focused attention on the work of the UK Government and what it is doing right across Scotland, working with the Scottish Government and showing that the United Kingdom has a particularly strong track record among all the developed nations. We have announced £160 million to create floating offshore wind farms, on top of the biggest investment in a generation in tidal power—£20 million a year. We have also announced £9.4 million for a trailblazing hydrogen project at the UK's largest onshore wind farm, Whitelee near Glasgow, and we are also investing in carbon capture and storage as a crucial means to reduce our emissions. The Acorn project, based near Peterhead, was named as the reserve project in the latest bidding round, and the UK Government has so far allocated £31 million to that project. No one is striding more purposefully than the UK, and working with Scotland is at the very heart of our plans to reach net zero by 2050.

The third theme I would like to reflect on is the work we are doing to strengthen devolution. As Secretary of State, I take very seriously my responsibilities to ensure devolution operates as intended and that its many benefits are realised for the people of Scotland. It is at the heart of everything the Scotland Office does. Since I last appeared before the Committee, work has continued on the complex task of transferring welfare powers. Scotland's two Governments are working well together on this: I know there have been concerns about the pace with which the Scottish Government has been able to take on its new powers, but progress is being made, and I noted the First Minister's recent announcement that the Scottish Government Budget will include an increase to one of the new benefits, the Scottish child payment. I am sure that many families will welcome this; I am equally sure that they will see it as a great example of devolution in action, a new power being exercised by Scotland's devolved Government and exercised by a devolved Government resourced with record funding from the UK Government—an extra £4.6 billion in the Chancellor's Budget, taking the block grant to £41 billion. That, Chairman, is the largest block grant in real terms since the start of devolution.

I am also pleased to report that the United Kingdom Government and the Scottish Government have made good progress on agreeing new common frameworks to replace EU rules and regulations that previously ensured consistency of approach within the UK. Our most recent update last month confirmed the final agreement of the first such common framework, covering hazardous substances, but also confirmed provisional agreements for a further 29 frameworks. This is another example of the Governments working well together, and rightly so, because 60% of Scotland's exports are to the rest of the United Kingdom. It is vital that we continue to trade seamlessly with our friends and neighbours in the rest of the UK.

Chairman, thank you again for allowing me to run through what I believe are important developments since I last appeared before the Committee. I would just finally say that I want to put on record my sincere thanks to our outstanding military. Last month's "Future Soldier" announcement was great news for the Army and for Scotland, with a £355 million investment in vital bases and facilities across the country. More battalions and a greater proportion of the Army will be based in Scotland. Defence is so important to Scotland, and that announcement showed how important Scotland is to the defence of the United Kingdom and our allies. What is more, Scottish troops will lead the Army's elite new Ranger Regiment.

We are incredibly fortunate to have such professional, committed and skilled military personnel. They keep us safe on a daily basis and step in to help at times of emergency, so to the soldier who administered my booster jab and to all his colleagues supporting the vaccine programme; to the ambulance drivers; and to the men and women helping check the safety of people left without power by Storm Arwen, let me simply say a heartfelt thank you. Chairman, we here look forward to receiving your questions.

Q2 **Chair:** Thank you ever so much, Secretary of State; that was, I think, exactly what we wanted to hear. To echo your sentiments about the role of the Army, we were fortunate enough to visit Kinloss and Lossiemouth last Monday, and we were very grateful for the access we had and the reception we received. Such is the importance of defence for this Committee that we are doing four sub-inquiries into defence in Scotland over the course of the next few months, so we hope that we will have your input on that, Secretary of State.

I was interested in some of the remarks that you made. Obviously, we will touch on most of the things you mentioned to us; you know that we have been taking an interest in nearly everything that you reported back to us in your opening remarks. You said that you want to get devolution operating as intended, but I have noticed and detected that the relationships are probably at their poorest ebb between the UK and Scottish Governments. I cannot remember in my 20 years in this House when relationships have been so frayed and out of kilter with the normal ways of engaging with both Governments. I am wondering what exactly is wrong with schedule 5 to the Scotland Act 1998, where there are the reserved responsibilities, and everything else is presumed to be devolved. Why does the UK Government feel that it needs to involve itself in the devolved issues that are the responsibility of the Scottish Government?

Mr Jack: Well, I do not think we see it that way. I think we see it as Scotland having two Governments and those two Governments working together. I understand what you say about relationships being frayed, but, speaking candidly, when you have a Government in Westminster that wants to strengthen the United Kingdom and a Government in Holyrood whose desire is to break up the United Kingdom, then we are obviously going to bump up against each other from time to time. But I would reassure you that behind the scenes, there is a huge amount of engagement at ministerial level and at official level. We get a lot achieved—I mentioned earlier the 29 frameworks that are more or less agreed.

There has been brilliant co-operation, recently and in the past, on covid. I think you are probably alluding to the EU structural funds that the UK Government is now spending, but I do not see that as a power grab, because I know that the Scottish Government has all the powers it had before we left the EU, and in fact they has been strengthened. Those powers have been augmented, and there are more powers.

I do believe it is right that the UK Government administers those structural funds, because we have to take a view of administering them across the whole of the United Kingdom. There will be delivery partners—it could be charities, such as Barnardo's—who will want to put in for money for projects supporting children that run across the whole of the UK. We see it as one of the benefits that we can have people bidding for funds that are pan-UK, rather than specific funds into one of the home nations.

Q3 **Chair:** I suppose the question then is why do we bother electing a Scottish Parliament? It is determined democratically. There is a

Government selected on the back of the representatives that we send to the Scottish Parliament. Why do we bother doing that if the UK Government just feels like it can outline its own priorities, and do what it wants in the devolved responsibilities?

Mr Jack: What I would say to that is, in the delivery, there are meetings with the Scottish Government and the Department for Levelling Up, Housing and Communities. The officials are meeting every two weeks with Scottish Government officials on these funds. We think that these funds augment what the Scottish Government is delivering. We are not riding roughshod over other projects; we are working collaboratively together. That is proved by the meetings, as I say, that are held around structural funding on a two-weekly basis. In the delivery process, there is Scottish Government involvement.

Q4 **Chair:** I know other colleagues will probably want to address this and go into the detail of the Union connectivity review, but when the First Minister stands up in the Scottish Parliament to say that the first time she got sight of the review was when it was published—I know there is a dispute about who was involved with what—is the UCR not creating some big bypass around the responsibilities of the Scottish Parliament?

Mr Jack: As you know, the Prime Minister challenged Sir Peter Hendy to produce the Union connectivity review. For those who do not know, Sir Peter Hendy is the chairman of Network Rail, and he has a history in transport. He will be as knowledgeable as anyone in the UK on transport. When he set out to produce his report, he had engagement from the Northern Ireland Executive, but the Scottish Government chose not to engage with him, and Michael Matheson, the Transport Secretary, told his civil servants not to supply any data or co-operate, and that was effectively what happened.

Through his chairmanship of Network Rail—Network Rail is a reserved area—he was able to go out and get a lot of the data he needed. But we felt that it was right, and Prime Minister felt that it was right, that Sir Peter was looking at Union connectivity on road, rail, air and sea—that he was looking at it all in a joined-up way, because we know good connections drive economic growth, and that improves people’s livelihoods. Whereas there is an element of transport—a lot of transport—that is devolved, but it does not change the fact—

Q5 **Chair:** All transport is devolved.

Mr Jack: Network Rail is not—it is reserved. And some of the port stuff is reserved, but you are right that the vast majority of it is devolved. But the view was, like in America or Germany with the federal Government, you still need the Government of the United Kingdom looking over the transport links across the United Kingdom in a joined-up way. The A75, as you know, is in south-west Scotland and partly in my constituency. It was interesting that Sir Peter said that he got more representations on that than any other road. That was because he got representations from Manchester, Newcastle, Carlisle, Belfast, Larne, etc. Equally, for the A77 there were businesses in the central belt making representations, and that is fine, but also businesses and councils in Northern Ireland as well as the Northern Ireland Executive.

That was someone who was taking a holistic view of the transport links across the United Kingdom and coming up with a report on how he thought we could improve them. The next stage is to work with the Scottish Government, the Welsh Government and the Northern Ireland Executive to deliver on his proposals, because we believe his proposals are very sound.

Q6 **Chair:** You mentioned the city and growth deals; they were a great example of working together. The Minister and I were at an opening—something that happened in the Tay cities. It was great: real partnership, real collaboration, and both Governments feeling respected and the place valued. That is the total opposite of what is happening with things such as the Internal Market Act and the Union connectivity review. A Government feel they have been sidelined and ignored, are not part of it and feel that the areas they are responsible for have been trespassed by the UK Government.

Why can you not do more like the very successful city and growth deals, using that model as a means of joint working instead of imposing your view on the Scottish Government and getting them to go along with, in effect, a rubber stamp?

Mr Jack: I'll let Minister Stewart speak about city and growth deals because, as you pointed out, it is in his portfolio. On UKIM and UCR, you said that the Scottish Government did not feel part of it. Also on UKIM, the Cabinet Secretary at the time, Mike Russell, back in the spring of 2019, told his civil servants not to talk to the UK Government about the UK internal market. I feel, rather like Matheson's decision on Union connectivity, that was a mistake, because the UK Internal Market Bill was about mutual recognition of products and non-discrimination across the United Kingdom—principles that exist within the single market.

We were trying to ensure that the seamless trade between Scotland and the rest of the UK could continue. England is a huge market for Scotland. Sixty per cent. of Scotland's exports are to the rest of the UK—three times as much as she does with the European Union. It is over £50 billion and over half a million jobs. We felt it was an important piece of legislation to buy into that market together to protect those jobs and protect those businesses. Do you want to add anything on the city and growth deals? Which, by the way, I agree has been a very good model. I accept that point.

Iain Stewart: Certainly. I just want to make one point on the Union connectivity review. When you look at a national transport network holistically, an intervention to deliver a benefit to one part may be somewhere else. For example, if you look at improving the rail connection between Glasgow and London, one of the best interventions to speed up journey times and capacity might be in Cumbria or Lancashire. That was the ethos behind it.

On the city and regional growth deal programme, the principle behind it is unchanged for future funds. It is not about us as central Government, whether that is Westminster or Edinburgh, saying to local areas, "This is what you are going to do." It is encouraging them as local authorities, the private sector, the universities and other partners in the local area to come up with the long-term investment proposals that they wish to see.

What we are seeing now is that that partnership network in the local areas is moving on to developing longer-term economic strategies. This week, for example, I am helping launch the one in Glasgow. That will allow them to look at the suite of investment opportunities, whether that is from the UK Government, the Scottish Government, the private sector or overseas inward investment, to help fund those longer-term projects. It is real devolution. It is encouraging those local communities and regional partnerships to develop those long-term strategies.

Q7 **Chair:** Lord Offord, it is really good to see you. Welcome to the Scottish Affairs Committee, and to the Scotland Office, too. Is there even a slight bit of embarrassment, given that you stood for democratic election only a few months ago and were not successful? Then all of a sudden you find yourself ennobled and put into one of the most absurd legislatures in the world, with its 800 or so members, and you are now a member of the Government. How do you feel about that?

Lord Offord: I would say it is a great honour. I am pleased to be selected, if not elected. None of the Lords, as you know, is elected. You know how the UK system works. It is a bicameral system. We have a Chamber that you sit in, the Commons, which makes laws—all elected—and we have a Chamber, unelected, which scrutinises those laws. From my point of view, I do not see any anomaly there whatsoever. It is a great honour and privilege for me to be involved in that. All the Government Departments have a Lords Minister; a Lords Minister is required to help take legislation through Parliament. It seems to me only right that the Scotland Office has the same ability.

Q8 **Chair:** Is it true that you gave a multi-thousand-pound donation to the Conservative party? You are obviously aware of some of the fuss created about former Conservative treasurers being given a place in the House of Lords, having given £3 million. Did that have anything to do with it?

Lord Offord: It is a matter of record that I have given donations to the Conservative party over 15 years, when I was not politically active. That is on the record. That is completely transparent, and I am proud to have done that. I have a personal view that political parties should not be state funded—not taxpayer funded. I believe that they should stand and fall on their own merits. The Labour party is funded largely by trade union donations, the Conservative party is largely funded by individuals, and the SNP is funded by crowdfunding.

Q9 **Chair:** This morning I detected, I think, four members of the unelected House of Lords on my one small flight to London City. Do we have any idea how many members of the House of Lords have either Scottish titles or Scottish residency? It must be loads.

Lord Offord: I can certainly come back to you with that information. My observation after three months of being in the House is how dedicated those people are and what a valid function they perform. They take their role very seriously. They are there day and night scrutinising. It has been said, Chair, that perhaps one thing that Holyrood might do is have a revising mechanism. This is the one that we have here in the UK, and it seems to work pretty well.

Q10 **Chair:** I somehow do not think that Holyrood will have a House of Lords, but thank you for that. Lastly, Secretary of State, were you invited to the Christmas party last year? Could you perhaps detail all the events that the Scotland Office has had? Can you assure us that they were all within the rules and regulations?

Mr Jack: Entirely within the rules, and I am very confident that I was not at any Christmas parties at No. 10.

Q11 **Chair:** You are very confident?

Mr Jack: I am confident I wasn't there.

Q12 **Chair:** You want me to leave it at that?

Mr Jack: No, I wasn't there. I can assure you I was not there. I am confident in my response. I didn't have to check my diary because I had not been asked to anything.

Chair: It is an event that is almost like the '60s—if you were there, you can't remember it.

Mr Jack: If only.

Chair: Okay, that is enough from me. John Lamont next.

Q13 **John Lamont:** Good afternoon to the witnesses, particularly Lord Offord—it is good to see you in your role. While our SNP Chairman seems to be obsessed with chasing headlines, I want to focus on the practical realities that my constituents are dealing with today—the storm damage from last week. Can you set out how the Scotland Office and UK Government have been supporting my constituents, and particularly SPEN—Scottish Power Energy Networks—to get power connected again to communities within the Borders?

Mr Jack: We have had regular contact with the power companies. We have also engaged BEIS—the Department for Business, Energy and Industrial Strategy—based here in Whitehall, but BEIS has a remit on various things across the whole of the United Kingdom. It was important that I endorsed the MACA— the military aid to the civil authorities—request, and 51 Brigade and various other battalions organised those 134 soldiers to get into the north-east and to get knocking on doors, because by then people had had no power. Some had had no water, but they had had no power, no heat, no comms. Of course, that puts elderly people at risk, so we were delighted. The social welfare side of that was very important.

Q14 **John Lamont:** Thank you. In terms of the forecast for this week, Storm Barra appears to be coming towards us. Are you confident that the UK Government and, in particular, the Scottish Government are better prepared for whatever might unfold in the coming days?

Mr Jack: You never want to say in advance of a storm, if it does reach landfall, exactly what its impact will be, but it is coming—to make a different point—from a different direction. One of the things about Arwen was that it came from the north/north-east, and it did a huge amount of damage that previous storms have not done because normally our prevailing wind is south-westerly. As regards assistance, particularly military assistance, absolutely we stand by for any MACA request, to get there and give help if help is required. I am hoping that it will not be required, because I am hoping that the wind speeds will be lower with Barra, and I am hoping that the fact that it is coming in a different direction will make it have less impact, but storms at this time of year are very unpredictable.

Q15 **John Lamont:** Moving on, can you explain a bit more about the UK's Government's levelling-up strategy, which you touched on in your opening remarks, and the role of the Scottish Government in delivering those projects?

Mr Jack: I am going to pass to Minister Stewart, who has been doing a bit of work on this.

Iain Stewart: You will have seen the announcements for the first round of the levelling-up fund, together with the community renewal fund and the community ownership fund. Those all came out at or near the time of the Budget. Scotland has punched above our weight in securing a share of those funds, but that is only the first part. There will be further rounds of levelling up and community ownership. The community renewal fund was a one-off scheme before we move into the shared prosperity fund, and further details and a prospectus for that will be announced soon. That will be a multi-year programme, building on the funds that I have mentioned and on city and regional growth deals, and looking at some of the longer-term investments that we want to see in the country.

I think the announcements that we made were very welcomed in the communities. Not all local authorities bid in the first round of levelling up, and that was fine because there is no disadvantage to not being in the first wave, and the advice that we gave was for the bids to be as good and as developed as they can be before they are submitted, rather than rushing one in.

Also, doing the community renewal fund and the first round of levelling up has enabled us to look at how the systems worked in practice, and what capacities the local authorities have to develop those bids in conjunction with the partners. There are always learning points from that, but the feedback that we had was that the engagement from our office with local authorities—we held weekly virtual drop-in-surgery-type advice processes—was very well received, so we are taking on board all those lessons and shaping the future rounds.

Mr Jack: Can I add to that? As Iain said, it is an evolutionary approach, and the community renewal fund, as you know, will dovetail into the UK shared prosperity fund, but what we are absolutely clear about is that all four nations of the United Kingdom will receive as much funding, if not more, as did under the EU schemes. It is very important to make that point. The Chancellor is totally committed to that. The numbers at the moment for the UK shared prosperity fund look quite low in comparison, but you have to remember that there are still EU funds that we are paying money towards the EU for. There is still a tail of funds coming through, and then that will grow. Laurence, do you want to add to that?

Laurence Rockey: Just to mention that I think we are expecting the levelling-up White Paper in the new year—obviously, as you would expect, very closely involved, at official and ministerial level, with the Department for Levelling Up, Housing and Communities. The White Paper will recognise devolution and the different kinds of devolution in Wales, Scotland and Northern Ireland, and indeed arrangements in England, but it will also be UK wide.

Just to bring it back to city deals, the other point that we have been emphasising is just how different economies are in Scotland, from the post-industrial landscape in Glasgow all the way up to island communities in Orkney and Shetland. It is important that we think about the different dynamics that exist in Scotland. Therefore, the progress we have made with city deals, thinking regionally and working with the private sector, is really important for our actions going forward. You can expect to see some building on those relationships, including working in partnership with the Scottish Government, which is also crucial. So the evolution of what has gone well and what has been learned is a key message.

Q16 **John Lamont:** I know that the groups in my constituency in the Borders have very much welcomed the funding, and those that did not get funding this time are very much looking forward to applying for future funding opportunities.

For me, a large part of levelling up is improved transport links. Getting the Borders Railway extended from Tweedbank to Hawick, Newcastleton and on to Carlisle, as well as improvements to the A1, are critical. There is great disappointment in my area that the Scottish Government did not engage more with the Union connectivity review. For the record, can you confirm that the Scottish Government did not allow their officials to engage with Sir Peter in his review?

Mr Jack: I said that earlier to the Chairman, but yes, the civil servants were strictly told not to engage with Sir Peter, to make representations or to give him data.

Q17 **John Lamont:** Do you have any understanding as to why that might have been? Both Governments have supposedly given commitments to improved transport links, particularly the Borders Railway extension. Can you understand why the Scottish Government failed to allow this to happen?

Mr Jack: I can tell you the reason that was given, before I answer the second bit—the understand bit. The reason that was given was that the Scottish Government decided that this was trampling on the devolution settlement and a power grab, effectively. I don't think that. Scotland has two Governments, and it is the responsibility of the United Kingdom Government to look at the connections across the United Kingdom in a holistic way, as I said earlier, and to approach transport links in a way that is part of the levelling-up agenda. As I say, if you get better connectivity—I know this particularly from south-west Scotland, where I represent—you will get better inward investment, businesses will grow, jobs will be created, and livelihoods will be improved. For that reason, it was a matter of some sadness that there wasn't this engagement.

Q18 **John Lamont:** Lastly from me, are the UK Government going to be responding to the review formally? What is the plan of action in terms of delivering better?

Mr Jack: In the new year, there will be a response. As I said earlier, there will be discussions with the devolved Administrations to see where we can work collaboratively to deliver on the recommendations. There will be more detail to come in the new year.

Q19 **Sally-Ann Hart:** Good afternoon to the panel. I am going to ask a few questions on the UK shared prosperity fund. Before that, I want to follow up on something on the community renewal fund and the other levelling-up funding that the UK Government have made available to Scotland. I understand that Scotland was awarded an £18 million share of the community renewal fund and that projects, such as developing electric vehicle charging points across the whole of the Scottish Borders, have been funded or will be funded. Secretary of State, can you highlight how else the community renewal fund, the levelling-up fund or any other UK Government levelling-up funds have benefited Scottish residents, Scottish businesses and the Scottish public sector?

Mr Jack: There have been a huge number of awards. I know the ones in my constituency, the Chairman will know the ones in his, John Lamont will know the ones in his, and so on. If you want specific detail, I will defer to Minister Stewart, because this is in this portfolio, but you are absolutely right on the numbers.

Before I hand over, the combined number between the two is just north of £190 million in the first round, and it is only the first of many rounds. Those who get their bids in on time will have the opportunity to bid again, and some, who may have bid and not been successful, have the opportunity to improve their business case, because it is ultimately down to good business cases and the Treasury has a stringent test on that, because we want to create value for money, economic growth and jobs with these financial awards.

Iain Stewart: Just to reiterate that last point, we are giving detailed feedback to those who were unsuccessful in this round. It is not a case of saying, "Well, you lost. That's it. Thanks for playing." We want to give them detailed feedback so that they might be able to improve their business case. It might just be that we had a huge number of very good bids, not all of which could be successful in one go—it does not mean that they will be unsuccessful in the future.

Looking at all the funds in the round, the sheer breadth of the schemes that were supported was impressive. I was hugely impressed by what came forward, including the community ownership fund, which helps to save or redevelop an asset in a local community. We are talking not about vast sums of money, but about an investment that will be transformational for a local community or preserve something that would otherwise be lost. There are town hall redevelopments, which are about not only the bricks and mortar, but the community services—for training, for supporting vulnerable groups and so on—provided in town halls. That particularly resonated with people. In the Inverness area, there was a big investment through levelling up to help the area transition to net zero. That complements a lot of what the city and regional growth deal projects are doing.

Going to the point I made earlier, it is not about us determining that we want to save 15 town halls or put in x thousand electric vehicle charging points; it is the local areas determining what matters to them. They can use the suite of funds that we have, the Scottish Government funds or other forms of investment. That is the ethos behind the scheme. It was a hugely positive stage in the process, but it is only the first step. There will be much more to come.

Q20 **Sally-Ann Hart:** Thank you. The recent UK autumn Budget and spending review provided some detail on the amount of funding available under the UK shared prosperity fund. Bearing in mind that Scotland received about 10% of the funding for the whole community renewal fund, which is a pretty sizeable chunk, do you know the breakdown for Scotland of the UK shared prosperity fund? What criteria will you use to determine how the money should be spent? I don't know if that is for you, Secretary of State, or the Minister.

Mr Jack: We do know the breakdown. It goes back to what I said earlier, with the dovetailing of the numbers from the community renewal fund, which migrates in an evolutionary way into the UK shared prosperity fund. What we learn from what we do now will shape the thinking on what happens with the UKSPF. The money from that fund will grow year on year; as was published in the Budget, as the money from the EU tails off, the UKSPF goes up. It will go up to about £1.5 billion. Numeracy has been split out in there—Multiply is what we have called it, which will help people with numeracy issues across the United Kingdom. That project will receive £1.7 million a year for the first two or three years. After that, we still have the community ownership fund, and we still have the levelling-up fund of £4.6 billion across the UK. There are other funds that complement the UKSPF, but the UKSPF will replace the community renewal fund. As I say, it will work out alongside the EU structural funds. Do you want to add to that, Iain?

Iain Stewart: No, that summarises it pretty well.

Q21 **Sally-Ann Hart:** So, can you confirm that Scotland will not miss out?

Mr Jack: I think I can address that point again. As I mentioned earlier, it is absolutely the case that Scotland will receive "as much or more" funding—those were the Chancellor's words, but, if you add in the other funds, it will be more—than it received when we were a member of the European Union. That funding is secure and agreed. If you look at the data behind the recent three-year spending review, the detailed numbers are there; you can specifically see that we have kept that promise.

Q22 **Sally-Ann Hart:** Good. When we are looking at the UK shared prosperity fund, or the levelling-up funds that have been available, they're there to unleash Scotland's potential. Do you think that the UK Government will be in a better position to unleash Scotland's potential than the Scottish Government?

Mr Jack: Well, I think it is teamwork. There are things that can— I believe in devolution; I believe that the Scottish Government should be practising, correctly, the devolved settlement from the Scotland Act 1998 and using the powers therein. As I said, we have augmented those powers in coming out of the EU.

However, I also think there is a role for the United Kingdom Government in Scotland, and across the United Kingdom, and that there is real devolution in getting money directly to projects in local authorities and in practising this principle of localism, whereby they know best what is needed in their area. I think it is a blend that gets us to the right place, but I will not sit here and criticise any one partner in that blend; we all have our roles to play.

Q23 **Sally-Ann Hart:** In response to the Committee's recent report on the shared prosperity fund, the UK Government promised to "work with the Devolved Administrations to ensure that funding is used to best effect and supports citizens across the UK." In view of the lack of engagement from the Scottish Government regarding, let's say, the transport situation, which you've highlighted, do you think the Scottish Government will work with the UK? Is it capable of working with the UK Government to help achieve the best possible outcomes for Scotland?

Mr Jack: I would say, yes, it is capable and, yes, it will work with us, because no one ever turned down free money. We were told by certain people at the beginning of this project that local authorities wouldn't bid for the money. They bid for the money in vast numbers. There were many more bids than we could deal with in the first round, so there was no problem with that, and all local authorities participated. That is the first point.

Regarding, "Will they work with it?", we have had discussions with the Scottish Government. They are part of the governance process of the structural funds and, as I think I said earlier, officials at the Department for Levelling Up, Housing and Communities have met regularly with Scottish Government officials—there is a meeting every two weeks—so they are engaging in that process, which is ongoing.

Regarding UKIM and the Union connectivity review, they took a point of principle on that and decided not to engage, but I think the plan to give money directly to local authorities, based on bids, was welcomed by a number of local authorities. Included in that was the city of Glasgow authority, which welcomed the announcement when we first made it. It wasn't just independent or Conservative local authorities that came forward; I am pleased to say that we had an SNP endorsement too.

Sally-Ann Hart: That is good to know. Thank you. I have no further questions.

Q24 **Deidre Brock:** Good afternoon, everyone. It is good to see you in front of us. I am not sure if I missed this when Sally-Ann was asking questions, but the current funding period for the UK shared prosperity fund runs until 2025, while the new funding round for EU funds will deliver money to projects up to 2030. Can you explain the Government's justification for the difference in those time frames?

Iain Stewart: What we have done is set out our commitment for the rest of this Parliament. The EU's funding windows are not always met, if I can put it that way. What we have done is set out a reasonable forward look, as we have done for Government spending across the piece in the comprehensive spending review. As we get near the end of that, we will then look at what the next stage is.

As I said earlier, this is part of an evolutionary process that you can trace back through a number of funds. We want to see how these different investments—whether it be research and development, the levelling-up fund, the shared prosperity fund or the Union connectivity review—can all work together to help further these locally driven investment projects.

Q25 **Deidre Brock:** So it is a sort of pilot approach at this stage?

Iain Stewart: It is not a pilot approach. We have it set out for the rest of this Parliament—over a three-year period—and that is a perfectly reasonable forward look. That is what the Government's comprehensive spending review period covers.

Q26 **Deidre Brock:** I have heard some criticisms of that approach, but we will leave it there.

I want to ask about those recent levelling-up funding applications. They were initially assessed by a Department that, until quite a short time ago, was really responsible for purely English communities, local government and housing issues. I know from my time on the Public Accounts Committee that there are substantial differences between the structure of local authorities in Scotland and England. The health services and their structures are different. On education, we do not have free schools or academies, for starters. What potential was there for confusion? What did you do to help reduce that confusion?

Iain Stewart: As I said earlier, through the whole bidding process, if you like, for these funds, Scotland Office officials were working on a very regular basis with individual authorities and bidding teams. It had to be virtual because of the pandemic, but every week at least there was an opportunity for the partners to tap into our advice. When it comes to the appraisal of the schemes, we are, of course, involved in that. I think the proof of the pudding is in the fact that a disproportionate number of Scottish funds were successful.

Q27 **Deidre Brock:** Can I just ask what capacity you have in the Scotland Office for dealing with all of that? Mr Rockey is probably the person to ask. How many officers have been working specifically on those bids?

Laurence Rockey: Just to take a step back, we have been working with all 32 authorities in Scotland in one way or another through the city region deal programme, which covers all parts of Scotland. While the UK Government working at this scale is an evolutionary step, I think it would be wrong to say that there has not been any interaction beforehand.

It is also worth making it clear for the record that the fund is administered by the Department for Levelling Up, Housing and Communities, which is also the accounting officer. It has established a new team based in Scotland with representatives who are based not just in Edinburgh but right across Scotland. They work both with local authorities and partners in Scotland and with the appraisal team here.

Q28 **Deidre Brock:** Can I just ask how many folk are in that team?

Laurence Rockey: I will get to your question, I promise. To build on Mr Stewart's answer, in terms of how we were helping local authorities to prepare bids, there was a series of workshops—three or four in number—as well as one-to-one meetings with all 32 authorities. Quite a lot of support has been made available. It is a learning journey, and we are also doing a "lessons learned" exercise and hearing what went well and what didn't. We will take that into our design for the UK shared prosperity fund and the future rounds of the levelling-up fund. I think your question is right in that we need to continue learning from what went well and to think about what we can do slightly differently.

In terms of the resource we have in the Scotland Office team, as you know, the broader policy team in the Scotland Office is around 20 people. We have a team of around four on the city deal programme through the spending review, recognising the growing need. We have a close partnership with the Department for Levelling Up, Housing and Communities, and we have an additional five colleagues who will be joining us from next year. It was an area where we needed to increase our resource, and we made that bid. Obviously, our numbers are very small relative to other Departments, but it is a really important resource for us as the Scotland Office.

Q29 **Deidre Brock:** You mentioned the Treasury and the new team that is spread across Scotland. How many are in that?

Laurence Rockey: The Department for Levelling Up, Housing and Communities has a team of 12 in Scotland.

Q30 **Deidre Brock:** Twelve, okay. I just wonder because, in effect, are you not displacing officials in the Scottish Government's Transport Department and in the management of different projects that Scotland is currently interested in undertaking? It seems odd to me that this is a devolved area, and yet officers come in and have to learn all about Scotland and the different approaches taken in Scotland and effectively supersede workers who are already very familiar with all these aspects. That does not seem to marry up to me.

Laurence Rockey: I'm pretty confident in saying that, as part of the spending review just passed, all Departments were committed to returning their civil servant levels in the UK Government back to 2017 levels, so I think it would be wrong to say that, as a result of that, there are loads more civil servants down south. Obviously, we work closely with the Scottish Government, but Transport Scotland, to use your example, is funded not through ERDF or ESF but through Scottish Government decisions on spending. I see the activity of the UKSPF and levelling-up fund complementing Scottish Government interventions and those of local authorities, which of course also have significant capital budgets and programme resources to invest in economic development. If we get it right—

Q31 **Deidre Brock:** But you are having to acquire all this knowledge that officials in the Scottish Government already have, surely.

Laurence Rockey: I think the knowledge probably sits with local partners, if I am being honest. The challenge is for both Governments to understand local need. What I think is most important about this philosophy is recognising that we do not have the answers in Westminster or, indeed, Holyrood; the answers lie with local authorities and in increasingly regional working.

Q32 **Deidre Brock:** I would have thought that Transport Scotland and other transport officials within the Scottish Government do quite a lot of work already with local authorities. In fact, I know they do, because I was in a local authority and we used to speak about these sorts of matter all the time.

Iain Stewart: Just to pick up on that point, one area where we put some resources in, but which there is acknowledgement that we need to look at further, is the capacity in each local area to do some of the longer-term work. That will be tapping into the knowledge that rests with the Scottish Government, UK Government, private sector, universities and so on. It is that holistic approach that we are looking to. It is not in some classic "Yes, Minister" situation—"Well, we have 500 experts in Department X and another 500 in Department Y." It is about making sure that they all blend together. I keep going back to this because it is fundamental. That is the ethos behind all these programmes.

Q33 **Deidre Brock:** The Cabinet Secretary for Finance in the Scottish Government, Kate Forbes, said that the UK Government's approach to the distribution of this funding potentially raises value for money concerns. What would your answer be to assuage those worries that she might have? What would you say you are doing, in terms of monitoring and assessment, to make sure that there is no value for money concern over this approach?

Mr Jack: I don't recognise that as an issue. The strict auditing rules that exist with funding will remain for these funds. I think we can deliver the funds directly to local authorities, which takes out, if you like, one layer of bureaucracy—I have said that at this Committee before—so that we deliver more efficiently. We will then follow through with auditing, as happens with all other direct funding in the United Kingdom. I do not think we will waste any money, far from it.

If you look at the numbers of people involved in this—the five extra who Laurence mentioned and the 11 or 12 who will be there with DLUHC, and what we are doing with the city and growth deals—it is an incredibly tight team delivering a very large amount of money. I think, by any other test, this will look to be a very efficient and tightly run operation.

Deidre Brock: I guess the proof is in the pudding.

Mr Jack: It will be. That is for another meeting.

Q34 **Deidre Brock:** That sounds like an extremely tight team for that amount of funding.

Mr Jack: Let's have a look back in a year or 18 months' time. I think you will find that we will have delivered a lot and on a very efficient basis.

Q35 **Deidre Brock:** The newly appointed Secretary of State for Levelling Up, who of course knows Scotland quite well, has suggested in regard to the distribution of the funding that "GVA is changing. GVA is just one metric that you can use when assessing where the money should go." Can you tell us a little bit about the other metrics that are likely to be included in future funding applications? It seemed to be a suggestion that further detail would be in the forthcoming White Paper.

Mr Jack: I will let Laurence answer that question. You know that the Green Book, if you like, has been torn up and, for levelling up, we are not just looking at a pound being returned by a certain multiple, which of course always leads you back to putting your money into the most affluent areas, whether it's Edinburgh, London or Manchester. So we are trying to spread that money out, which is what Secretary of State Gove was referring to. But if you want specific detail then, Laurence, do you want to add anything to that for the UKSPF White Paper?

Laurence Rockey: Sure. I think the first answer is that the detail around the UK shared prosperity fund we are expecting relatively early in the new year. I think it would be slightly premature for me to comment in detail—

Q36 **Deidre Brock:** No hints?

Laurence Rockey: As you would expect, there is always a good amount of debate in the academic community about how you assess deprivation, economic opportunity, and strengths and weaknesses. It is certainly a complex area, but one on which we are listening to feedback from local partners in Scotland—as we are in England, Wales and Northern Ireland—with a range of views, as you would expect. But we are certainly looking at transport connectivity and looking at both overall poverty levels and specific areas of deprivation, as well as economic output. There is a number of different metrics, but it would probably be too early to comment at this stage.

Iain Stewart: I will just add to that. On this feedback from city and regional growth deals and the other schemes, it is very important not to look at too large an area of economic geography, because within that area you can have very different levels of need. Take, for example, Highland Council. If you look at the Inverness area, it is relatively affluent compared with some of the other, more rural communities. I think what we want to see, in how projects are appraised, is an ability to drill down even deeper than the traditional building block of a local authority or wider regional area.

Q37 **Deidre Brock:** So you're working on a different system or a more detailed system. Is that what's delaying it?

Iain Stewart: We want this system to be as flexible as possible, so that it identifies those local and regional needs. Some projects will be for the greater good of the whole area—of course they will—but other interventions might be much more local.

Mr Jack: When we discussed it, the three words we came up with were agile, flexible and local. That is what we are trying to achieve.

Q38 **Deidre Brock:** Okay. Why has the White Paper been delayed so much? We have just heard that it is going to be delayed again. I am trying to remember: when was it originally supposed to appear? I thought it was the middle of this year. Am I right? And then it got pushed into autumn. Then it was going to be around Christmastime. And now it has been pushed back further into the year. I am wondering why it is taking so long, because it was such a cornerstone of the Conservative manifesto. Of course, the pandemic would have slowed things but, presumably, because it is of such importance, there was still the capacity there to work on it.

Mr Jack: There is a new Secretary of State in the reshuffle, and he will have reviewed the draft White Paper. I know we did a five-and-a-half-hour session in No. 10—basically the Cabinet going through the White Paper and what was going to be in it, and all of us in the Cabinet being able to feed into it. There are also the lessons to be learned from the community renewal fund and other funds that we have been administering this year. I think that will have caused the delay, but I will just reassure you by saying that the delay will only make it a better White Paper.

Q39 **Deidre Brock:** Of course. I will ask just one last question, if I may, Chair.

With the announcement that the paper was going to be delayed again, there were some suggestions, or a bit of kite flying—I'm not sure—about a levelling up quango that might be created to apply to. I wanted to double check that that will apply only to local authorities, councils and local government bodies in England and that there won't be an attempt to apply that to the Scottish Government or to local authorities in Scotland.

Mr Jack: Minister Stewart and I haven't heard of any levelling up quango. I don't know whether Lord Offord or Laurence Rockey have heard of such a thing.

Laurence Rockey: This will be a civil-servanty answer, I'm afraid—I guess it comes with the territory. We are expecting the White Paper to be published early in the new year. It covers a huge number of topics and policies. As with the reshuffle, I would agree with the Secretary of State, but I think we need to need to wait and see what the White Paper says before commenting on it too specifically.

Q40 **Deidre Brock:** And when will the UK Government's response to the Union connectivity review be published?

Mr Jack: In the new year.

Q41 **Douglas Ross:** Good afternoon, Secretary of State, Ministers and Mr Rockey. I will try to share my questions among the ministerial team, but I will start with you, Secretary of State. I echo everything that you said about the support that our armed forces have given us in Scotland and throughout the United Kingdom during the pandemic. I was also very pleased with "Future Soldier" and the basing review from the Defence Secretary.

As the Chair said, we recently had a very good visit to my constituency of Moray. The Chair asked at both Lossiemouth and Kinloss what effect rumours that a base is going to close have on its personnel and the wider community. I thought it was right that the Chair highlighted that, particularly because all the rumours in Moray came from the SNP leader of the council and the local SNP MSP, backed by one unnamed source in *The Sunday Times.* In your view, having dealt closely with the military, what do those unsubstantiated rumours about closures, reductions in troops and so on do to the communities—particularly serving personnel—where they are based? How does that marry up with the very positive outcome that we got from the UK Government?

Mr Jack: As someone whose son is going to be commissioned into the Scots Guards on Friday of this week, I have quite a close interest in this. Obviously, I speak regularly to military personnel. There is no doubt that those rumours—which are unsubstantiated, as you say—are bad for morale; that is the first thing. They are also bad for recruitment. Historically, Scotland has more than pulled her weight in recruitment for the UK armed forces—an amazing contribution. Right now, talk about base closure, accelerating base closure, reducing the numbers or doing this or doing that only serves to put people off; of course it does.

What we have actually achieved is a massive commitment. In last year's one-year spending review, more than £26 billion extra was committed to the armed forces. Then there is this very good announcement on "Future Soldier", with growing numbers, the new Ranger Regiment, the extra investment going into Kinloss and Lossiemouth, extra units going there, and so on—you can read it all. I will not go through the greatest hits, but it is a fantastic document, and I hope that it shows how committed we are to the armed services in the United Kingdom Government—rightly so, because the world is becoming a more dangerous place at the moment and we need to show that we have a strong commitment to the armed services. Those armed services are a key member of our NATO alliance, and people need to see and understand that. I think we have the most professional military in the world, and it is revered across the world. It is absolutely right that we do nothing other than talk them up.

Q42 **Douglas Ross:** They are British armed forces and are part of the United Kingdom, but how important to this Government is Scotland's place in the UK for basing many of those personnel? You have visited Lossiemouth, for example, and with the Poseidon aircraft and the QRA coming in, a number of Scottish bases are strategically extremely important for the defence of the United Kingdom.

Mr Jack: Absolutely critical. I have to be careful not to tread across the Official Secrets Act, but we do amazing things out of those bases and other bases. That is all I will say. What I am going to say now is no secret: we track Russian submarines as they encroach, we deal with Russian aircraft as they encroach in airspace and we do a number of other great things. Of course, on the Clyde, we have Faslane and our permanently at sea deterrent. For over 50 years, we have had a continuous at sea nuclear deterrent. It is no secret that Faslane is also used by other NATO members' submarines as a base station, when required.

If you look at the geopolitics, we sit very strategically. We are a very important member of NATO. Scotland plays a vastly important role in that, through what is happening in Morayshire and on the Clyde, and there are other bases of support across Scotland, as you know. I won't list them all.

Q43 **Douglas Ross:** Thank you. I will move the subject slightly, to the oil and gas industry. It supports 100,000 jobs across Scotland and it is absolutely crucial. How regularly do you, in your role as Secretary of State, and Ministers from the Scotland Office engage with the industry and the representative bodies? Given that I assume you meet with them, do you agree or—I would hope—disagree with the comments by one of Nicola Sturgeon's Ministers, who said that only "hard right" extremists support future drilling? What do you think that message from the SNP Scottish Government and their Ministers says to that industry?

Mr Jack: I think that remark, as quoted, is disgraceful. I support future drilling and I am not a hard-right extremist; I will just put that on the record, in case anyone wondered.

We have an oil and gas industry that is in transition, and the key is transition. We will get to net zero by 2050. But when we get to 2050, let's be clear that on current calculations—Lord Offord and I met with the oil and gas executives the week before last—35%, which I think is 20% oil and 15% gas, is our requirement in 2050 for our energy source. We need gas to make blue hydrogen and other products. We need oil for the petrochemicals industry. The idea that oil suddenly stopped would kill our economy.

It is not all about driving combustion engines; by then, the combustion engine in vehicles will be a thing of the past. It may well be electricity, or it may well be hydrogen, but that will be a thing of the past. But we will still need oil for the petrochemicals industry to produce many products that our economy relies on, not least instruments for the NHS. There are an awful lot of instruments in the NHS—tubing, personal protective equipment and many other things—that have a petrochemical base, and we cannot just turn that off. We have to be responsible about that.

Regarding the Cambo oilfield—Siccar Point has a 70% interest in it; Shell has withdrawn from its 30% interest—I still think it is better that we develop Cambo than that we bring in from another country the oil that I talked about requiring in the future. That would be less efficient. We should get it domestically and support jobs in the north-east, Shetland and other places where there may be interest. I think we should be clear that we support oil and gas, but that we support a responsible transition. That transition was agreed between the industry and the Department for Business, Energy and Industrial Strategy last year, in 2020. It was mapped out; we know what it is. In that was priced in our existing licences and the Cambo licence.

Q44 **Douglas Ross:** Thank you, Secretary of State. Minister Stewart, the last time you appeared before this Committee, we were discussing city and regional growth deals, and you gave us a commitment that the Moray deal would be fully signed off by the end of this year. I am very pleased that you have selected my wife's birthday as the date to do that; I can think of no greater gift that she could receive.

Since the meeting and the discussions that you have had with Scottish Government officials, is that date still on track? Can we be assured that the Moray growth deal will be signed off by the end of this year? Can you explain, from the Scotland Office side, what benefits there will be in the local community from this growth deal, which has been championed for a long time by the business groups, the council and many others?

Iain Stewart: Certainly. It is in my diary to be up on Monday 20 December. I hope that you get your good lady wife a better present than me appearing on the doorstep.

As you say, like all the city and regional growth deals, the Moray deal will be transformative in its long-term effects. I was in Lossiemouth last year to sign the heads of terms, and the great interest in the local community was very visible then, particularly for the training facility that will be there and that will complement some of the other investments we are making in both civil and military aerospace.

It is absolutely on schedule. Just for completeness, I hope to be in Falkirk the following day to sign their deal, and that will get every one of the deals across Scotland up and running. By the very nature of the scheme, they are all at different stages in their journey, but it is that local networking—that partnership of development—that is the strength of these deals, and then they are the base for further investment in the future. Some of the other city deals that are at a more mature stage are looking at what comes next and what other funding and opportunities might be there, so that is a central part of my work at the moment.

Q45 **Douglas Ross:** Minister Offord, as the Secretary of State outlined in his opening remarks, you do a lot about exporting and promoting Scottish produce abroad. I have seen some of the trips you have been on, highlighting the success of our Scottish products and trying to get them into even greater markets. I received a very favourable response from the Scottish Secretary at Scotland Office questions—the most recent ones, I think.

In terms of further work that the UK Government can do to remove the final barrier for Scotch whisky exports into the US, we had a seven-month suspension and now a five-year suspension with this ongoing tariff war, but I think the biggest thing we could do as a United Kingdom Government would be to do the same as the European Union and remove tariffs from American bourbon. Is this something that you and your officials have been discussing? Is there work we can do with the Department for International Trade? While it is extremely positive that we have this five-year suspension of these tariffs, it would be good to get rid of that once and for all, because the Scotch whisky industry is hugely important both to my Moray constituency and across Scotland. We have seen the success of it, and it is continuing to grow. I think it would be an excellent move if the Scotland Office could assist other Government Departments to make that final push with the US Administration.

Lord Offord: Thank you for that. Obviously, trade has been a big focus coming into the job—that is where I really started—and we now have the opportunity to do free trade agreements across the whole international landscape. The US is obviously a big part of that. Within that, whisky is our major export in Scotland; in fact, if you take our food and drink together, we in Scotland account for 20% of UK exports in food and drink, and you and I both know that whatever we do, we must do better than 8% of the population when it comes to our contribution to the UK. That is a very good example.

As you know, I went to Mumbai in my first month. Obviously, whisky is a big topic in India as well as in the US, and in all the years we have been in Europe, we have been unable to have a trade deal with India. If you talk to anyone in the whisky industry, this has been something that everyone talks about but has never happened, and here we are now on the cusp of perhaps doing a deal that could transform the Scottish whisky industry.

As far as the US is concerned, the big breakthrough is to do the immediate deal, which you have identified, and Liz Truss deserves a lot of credit for that. Now we are in a situation where, in the round—as you would imagine when you are negotiating with the US, they are very thorough across all areas. We obviously want to focus on the areas that matter to us, and that is obviously one of them. We have got quid pro quo that we can work with them; there is no question about that. The point is that we are now developing that engagement, and the overall point here is that this is us being able to take control of that situation, on account of the UK looking at our own industries and being able to go into bat directly with international territories that we have not been able to negotiate with.

In Mumbai, the overriding feeling from the Indians that I came away with was almost to say, "Welcome back. We haven't seen you for a while. It is lovely to see you back." I think there is a real feeling that we have product the world wants to buy, and this is now our opportunity, so yes, that is a key part of what the Scotland Office wants to do. My observation, coming in on this as a newbie here—for example, for the North sea transition deal, I sit on that committee. That is an intergovernmental committee. We have Ministers from BEIS, we have Ministers from the Scotland Office, we have Ministers from Scotland—

Mr Jack: The Scottish Government.

Lord Offord: The Scottish Government—and therefore we have a collaborative approach to that. This is an opportunity for us to take control of an area that we are dominant in, and again, in Scotland, it is a major part of our industry. Whisky is in the same category: it is very important to us. In the round, obviously, that will be part of the wider deal, but our job in the Scotland Office is effectively to be the front window into Whitehall. Our job is to mobilise each Department, requiring Whitehall to get the right answer for Scotland.

Douglas Ross: Thank you very much. Thank you, Chair.

Q46 **Chair:** I have a couple of questions about some of the other things the Committee has been looking at. They just require quick answers, if that is all right. We spoke to a number of sectors concerned about shortages across Scotland, most notably hospitality, haulage, and farming. Could you tell us how the points-based system, and the ending of freedom of movement, has assisted those sectors with their shortages?

Mr Jack: We have also been engaging with all those sectors on that. We did the visas for the turkey pluckers and the lorry drivers. We have the seasonal agricultural workers scheme, which we obviously want to roll on into next year. There are 30,000 places. They have not all been taken up this year, but I strongly feel that the scheme should remain at the same level despite that. It has been an unusual year. The way I see it, there are two sides to this. There is a covid element here, because we have seen these shortages not just across Europe but in North America. There is a piece where people aren't travelling the way they did, and covid is entirely related to that. We thought that 2.7 million people would sign up to the

EU settled status scheme, but the applications broke 6 million. We also know that a number of those people are still in other EU countries and not here, by dint of wanting to be near their families and nervous about lockdowns and things. We recognise the problem, and we are working on it. The seasonal agricultural workers scheme is one approach, the other is visas. Then there is the shortage occupation list, and we are looking closely at which skilled workers should be on that, and how that plays out for Scotland. The Migration Advisory Committee will have people based in Queen Elizabeth House, our UK Government hub in Edinburgh, and they will specifically look at what they need to feed into that—

Chair: We are just looking for quick responses.

Mr Jack: Sorry, that was a bit detailed, but it was worthy of the detail because it has been an important issue.

Q47 **Chair:** My direct question was about how the points-based system, and ending freedom of movement, has assisted the situation in Scotland. All the Scotland Office knows that we have specific demographic issues and a lower working base population, which has to support an elderly population. How does stopping people coming into Scotland from Europe through traditional means help the situation?

Mr Jack: I was saying that it is too early to judge the system based on the covid situation and the 6 million EU settled status workers, but we have responded wherever industry has told us there has been a need. For instance, on the shortage occupation list, instead of a £25,000 or £20,000 salary, we have put fish filleters on the skilled list. We are very responsive to what is required.

Q48 **Chair:** You are responding to a situation that you created, which is the end of freedom of movement. That has disturbed all sorts of traditional means of securing employment for many of those sectors. I am not asking what you are doing about them; I am asking what the points-based system, and the end of freedom of movement, has done to the system.

Mr Jack: What I hope it will achieve, and the Prime Minister feels very strongly about this, is that we create higher paid jobs and do not bring in cheap migrant labour and keep wages supressed in the United Kingdom. There is evidence of that with lorry drivers, for instance, and the salary increases of £10,000 to £15,000 that we have seen. We want those jobs to pay better. If you are standing on a cold factory floor on concrete, filleting or gutting fish, and doing whatever you are doing, I think you should be paid more than £18,000 or £19,000 a year. You should be paid a lot more. We are in the process of transitioning, and it shows. We have looked at various models, and they show that you can increase wages dramatically, even by 50% in certain areas, and the impact on the food on the shelves is only 2% or 3%. There is plenty of analysis, and not just ours; other countries have come to the same conclusions. Low migrant labour does not necessarily keep prices down, but it discourages people from taking those jobs at home, and it keeps salaries depressed. We want to increase salaries.

Q49 **Chair:** We have not seen much evidence of that. Duncan Buchanan from the RHA said that the SOL is based on snobbery, and that it is easier for a ballerina to get into Scotland than it is for an HGV driver. That is his experience.

Mr Jack: That is incorrect, inasmuch as we still have plenty of those HGV driver visas available. He should put anyone he knows who is looking for one in touch with us.

Iain Stewart: On the HGV point, I would direct you to the report from Logistics UK this morning, which shows that many of the pressures in that sector are easing. It is one of the areas where there was a perfect storm. There was a backlog of processing test results because of covid. There was an exodus of more elderly drivers, because of covid, not the throughput of new work. This was affecting other European countries as well, but because of the measures that we have put in place, including some long-term improvements like improving rest stops and other facilities for drivers—as I said, I direct you to the Logistics UK report this morning, which shows that that pressure is easing.

Q50 **Chair:** One thing that we also touched on was the free trade agreements that the UK Government have started to negotiate, most notably with Australia and New Zealand. I do not need to tell you the concern from Scottish agriculture about what has been presented. Is Scotland ever going to get some sort of role in designing, framing and being in the negotiations about free trade agreements, or is it always going to just be a matter of our having to do what the UK Government decide?

Mr Jack: Free trade agreements are reserved, but discussions do take place with the Scottish Government around free trade agreements. I would add that I attend key meetings on our free trade negotiations, and I have been keen to include safeguards for beef and lamb. Those safeguards went into the Australia deal and are now in the New Zealand deal, so it is not that there isn't someone fighting Scotland's corner. It is a reserved area, and this Office is fully engaged.

On the concern for Scottish farmers, I believe that the opportunities are enormous. They are enormous when we go into the CPTPP—the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—which will be the world's largest free trade zone. We have safeguards for lamb and for beef. There has been tariff-free access for lamb from Australia, for instance. They have only used two thirds of that—New Zealand, less so. You can look at the story of Ken Morrison, the supermarket owner. When he bought his farms in Australia to send beef back to the UK, he of course sent it to the more lucrative market in Asia. I am confident that there are huge benefits for Scottish agriculture, food and drink in these deals, and particularly in the CPTPP, which as I say will be the largest free trade zone in the world. The New Zealand and Australia trade deals take us down that road.

Q51 **Deidre Brock:** A couple of quick questions. It is great to have you here, and you have been very generous with your time. We lost out on the carbon capture and storage bid, and of course we will not see a revisiting of that decision I think until 2030, but Lord Offord you mentioned the Just Transition committee, was it—the board?

Lord Offord: The North sea transition deal.

Q52 **Deidre Brock:** The North sea transition deal—of course. Is there any indication that the UK Government might match fund the £500 million that the Scottish Government have put towards green economy jobs in the north-east—in Moray, I think? I know that that has been asked on many occasions. It would be interesting to see whether there is any movement there. It might be one for the Secretary of State, because you are fairly new, Lord Offord.

Lord Offord: On that particular issue, I do not have a specific answer, so I am very happy to go away and look at that, unless Laurence has something to add.

Laurence Rockey: Only so far as the Government set out their spending plans in the comprehensive spending review last month, so it is pretty clear from—

Q53 **Deidre Brock:** So that is a no.

Mr Jack: I would say the financial commitment was in the deal that was done with the industry on transition last year—the BEIS deal with the oil and gas industry. That's the financial commitment.

Q54 **Deidre Brock:** All right; thank you. Lastly, you mentioned the freeport issue right at the beginning, Secretary of State. You mentioned the Scottish Government's opposition to setting up a freeport, but wasn't that because the UK Government wouldn't commit to payment of the real living wage and net zero conditionality for the green ports that the Scottish Government were proposing? Also, the equivalent set-up funding for Scotland was not going to be as much as that proposed for freeports in England.

Mr Jack: I would point you to my letter of 6 September to Minister McKee.

Deidre Brock: I think I have read it, actually; yes.

Mr Jack: It did offer two freeports, and the funding and a collaborative approach, and it did agree to doing the net zero, which is more or less the same in the freeport model for England. Where we disagreed—you've touched on it—is the real living wage.

We believe the real minimum wage is what is right. There is nowhere in the UK where the UK Treasury has acknowledged the real living wage as being a legal requirement, because, in a nutshell, it is not something we set. It is set by people who are not part of the Government or the Treasury. It is not something that is within our control so, to that end, we believe in the real minimum wage.

Q55 **Deidre Brock:** So that is the sticking point: the real living wage for workers within that green port.

Mr Jack: We want the UK freeport model to be competitive in Scotland, so that it attracts the inward investment and creates the jobs. We don't want to put it at a disadvantage and creating a higher wage structure would do that. Imagine you are business, standing back and looking at where you are going to go, and you see more complexity and cost involved in going to a freeport in Scotland. We want the freeports in Scotland to have the same terms and conditions as in the rest of the UK. It is a UK model, and we want to put the same model in place in Scotland. That is our desire.

Deidre Brock: Okay; that is clear. Thank you.

Q56 **Douglas Ross:** I was not going to come back in until Ms Brock started speaking. Just to pick up on a couple of her points, Secretary of State, you responded to the Scottish Government's £500 million investment with the deal that the UK Government announced in the spring. Am I not correct in thinking that that was the first one ever in the G7 and significantly more investment by the Government than the £500 million suggested by the SNP Government?

Mr Jack: Correct.

Q57 **Douglas Ross:** On the second point, about freeports, I have spoken to a number of the ports that are bidding for this and they are extremely frustrated by the attitude taken by the Scottish Government. They believe it is slowing down the whole process and ports in Scotland are being put at a competitive disadvantage to ports elsewhere in the United Kingdom. Is that correct?

Mr Jack: Correct. That is my experience as well.

Q58 **Chair:** I am conscious of the time, Secretary of State, as we want you away at half-past four.

Lastly, we are all hoping that our worst fears about omicron are not realised. I am looking for reassurance from you and your Ministers that you are doing everything possible to work across Governments to ensure that we will be protected from this, that there is full co-ordination and the four-nation approach that we have looked at as a Committee, and which you helpfully helped us out with, will be applied, and that we will be working together to the maximum to ensure that we are protected from this.

Mr Jack: The level of communication at ministerial level—the health Ministers meet every week—and at official level means that there is a huge amount of collaboration and communication. Obviously, transport is part of that as well. We have an agreement on the transport announcements that will come into effect at 4 am on Tuesday.

There is an understanding that we are all in this together. We are all in the boat together, the waters occasionally get a bit choppy, but we are all pulling on the oars together. There were moments early on that I have referred to in previous meetings with the Committee, but they are all in the past. The reality is that where we are now, we are all pulling together to get out of this pandemic as quickly and as best we can. I have no bricks to throw, if you like.

Chair: Excellent. That is good to hear. I hope we are all able to enjoy some sort of Christmas, and to do that as safely and securely as possible. For this afternoon, Secretary of State, as always, thank you ever so much for your full responses to our questions, and thank you to your ministerial team. It has been a very good session.