

Scottish Affairs Committee

Oral evidence: [The Work of the Office of the Secretary of State for Scotland](#), HC 1768

Wednesday 10 July 2019

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Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Ged Killen; John Lamont; Tommy Sheppard; Ross Thomson.

Questions 1 - 80

Witnesses

I: David Mundell MP, Secretary of State for Scotland; and Gillian McGregor, Director, Office of the Secretary of State for Scotland.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

David Mundell MP, Secretary of State for Scotland; and Gillian McGregor, Director, Office of the Secretary of State for Scotland.

Q1 **Chair:** Secretary of State, as always, a pleasure to see you in front of the Scottish Affairs Committee. As is normal and customary, who you are, who you represent and anything by way of a short introductory statement.

David Mundell: Thank you very much, convenor. I begin by wishing a very happy 90th birthday to my former Scottish Parliament colleague Winnie Ewing.

As Secretary of State for Scotland, I am very pleased to be in front of the Committee to discuss its report on intergovernmental relations and the work of the Office of Secretary of State for Scotland more widely. I am also pleased to have with me Gillian McGregor, Director of the Office, who will be able to provide reflections ahead of the publication of our annual report. Over the period of that report, the office has been involved in significant work on implementation of the new powers in the Scotland Act, investing in the Scottish economy and, of course, ensuring that we are fully prepared to leave the EU. Close and constructive working between the UK Government and the Scottish Government is central to this work.

The Committee will have seen evidence of the scope of this in the course of its current and previous inquiries. On welfare, for example, we are working together to implement the powers devolved under the Scotland Act 2016. I recently chaired the Joint Ministerial Working Group on Welfare, where we had productive discussions on making full use of the devolved welfare powers and how the UK and Scottish Governments can work together to resolve practical issues.

On City and Growth Deals, last week Jake Berry, Minister at the Ministry of Housing, Communities and Local Government, and I joined Michael Matheson, Cabinet Secretary, and leaders of the five councils to sign an ambitious deal for the Borderlands region. This will see nearly £400 million being invested into five local authority areas on both sides of the border and accelerate the region's economic development, create jobs and encourage future investment in the area. It is incumbent on all of us to ensure that even in the current challenging political context we are working together to deliver for the people of Scotland. That is what they rightly expect of us as UK and Scottish Governments and as parliamentarians.

I therefore very much welcome the Committee's interest in this matter and the constructive suggestions set out in its report. There will, of course, be political disagreements between the UK and Scottish



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Governments, but we should not let political disagreements overshadow this successes we have achieved. The examples I have cited have required determined, pragmatic and persistent intergovernmental working at official and ministerial level. I am therefore that, following the most recent JMC(EN), the UK Government have published draft principles for intergovernmental working. The draft principles were developed jointly by a working group of representatives of all four Administrations and are intended to establish a solid foundation for the ways in which the four Administrations will work together in the future.

As I said in my response to the Committee's report, the 20th anniversary of devolution is a timely point to reflect on the state of our relations and the structures that support them. One of the Committee's recommendations was that the UK Government should review the role of the Scotland Office and the Secretary of State for Scotland. I hope the Committee will welcome the review announced by the Prime Minister last week during her speech on the Union in Stirling. The review will consider the structures of the UK Government to ensure that they are set up to realise fully all the benefits of being a United Kingdom.

The UK Government will work constantly and wholeheartedly to strengthen the Union and build on the bonds that hold our Union together, but let me be clear: the devolution settlement is not up for renegotiation. This is not a review of a devolution. I believe, following the 2016 Scotland Act and the huge transfer of tax and welfare powers it delivered, the present devolution settlement strikes a good balance of powers for Holyrood while Scotland benefits from being part of a strong United Kingdom. We have no plans to make changes to that settlement.

I look forward to the recommendations of the review and I am confident that they will help us ensure that the UK Government structures are configured in a way that strengthens the working of the UK.

I would now like to hand over to Gillian, who will briefly provide some comments on the work of the office on our single departmental plan.

Gillian McGregor: Thank you. I am very pleased to be joining the Secretary of State in front of the Committee today. Thank you for the opportunity to make some brief comments.

I should start by saying that the Office of the Secretary of State for Scotland, although relatively small, covers a huge range of issues and has a unique role at the heart of Government. I am very proud of the work that my colleagues and the Department have delivered over the last year and continue to deliver in the current challenging times. The focus for the Department in 2018-19 has been in preparing for EU exit and this continues to be a key priority for us. Our single departmental plan for 2019-20 sets the key strategic priorities and outcomes for the office over the coming year.



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I particularly want to add a few words to the Secretary of State's comments in relation to joint working between the UK and the Scottish Governments and the collaborative approach we have taken at official level to deliver positive outcomes for Scotland. I firmly believe that Scotland's two Governments are at their best when they work together. I myself understand the importance of intergovernmental relations. As part of my role I have regular meetings with colleagues in Scottish Government to support delivery on key policies.

All sections of the Scotland Act 2016, which increase the powers of the Scottish Parliament, are now in force and we continue to monitor implementation, working with the Scottish Government to support the practical delivery of all of these provisions. We continue to focus on Scotland's economy and business, framed in the context of the UK Government's Industrial Strategy, again working collaboratively with the Scottish Government.

Our office continues to drive the City and Growth Deals programme in Scotland, already giving all of Scotland's seven major cities a City Deal. We are also working alongside the Department for International Trade to develop the UK's future trade policy, working closely again with Scottish Government to deliver an approach that works for the whole of the UK.

Another key priority is to increase understanding and visibility of the UK Government in Scotland and its role. There are nearly 26,000 UK Government civil servants who live and work in Scotland and the office has delivered 60 days of visits for our Ministers, plus supported ministerial attendance at over 40 external events. We have also co-ordinated 30 other roundtables and events involving a wide range of sectors in Scotland. These include agriculture, fisheries, food and drink trade, defence, energy, engineering and higher education.

Finally, I should mention that we are planning for the opening in 2020 of the new UK Government flagship headquarters in Edinburgh. The building will be powerful evidence of the UK Government's ongoing commitment to Scotland. Thank you. I am very happy to answer questions about the work of the Department.

Q2 Chair: Thank you very much, Ms McGregor, and thank you very much, Secretary of State. We are all hoping on this Committee, of course, this will not be a swansong and you are not serious about your threat to resign if it is Prime Minister Boris and that you will continue to come back to this Committee in the course of the next few months and years.

Can I just thank you for the positive response that you gave this Committee on our intergovernmental report? It is a report that we took very seriously and there is an opportunity, of course, to debate it tomorrow.

There is a flurry of activity around devolution just now. We have our report, we have the Dunlop review and there was something in the press



today about a war chest running into tens of millions of pounds that is to be established to strengthen the Union. What is going on? Why all this activity just now?

David Mundell: You, as a Committee, chose to carry out your report within your own timescale. As I indicated to you at the last Scottish Questions and just now, I welcomed that report. We are at 20 years of devolution and I had the pleasure of attending the event in the Scottish Parliament to mark the 20th anniversary of the Parliament's establishment. That in itself generated a lot of reflection over the period on the role of the Parliament, its role in Scottish life, its achievements. I think that has been a factor in bringing these together.

The Dunlop review is part of the response to your report because you asked for certain things to be reviewed and they will be reviewed as part of that report, what the role going forward of the office is, not just of the Secretary of State for Scotland and Wales and Northern Ireland, but how the UK Government interacts with the devolved settlement. As I made clear in my remarks—and contrary to some media and social media speculation—this is not a review of the devolved settlement, it is how the UK Government interact with the arrangements that are already in place.

Q3 **Chair:** You have said that. You reiterated this will not be a review of devolution. I would not say that is reassuring, but we know what the intention is behind this. Could you give us maybe two or three concrete examples of what you would expect Lord Dunlop to look at in the course of this review? You mentioned your own office, but we will leave that aside just now. I know we have some detailed questions about that, but what other specific things are you anticipating and expecting that Lord Dunlop would look at in the course of this inquiry?

David Mundell: Lord Dunlop will want clearly to set his own parameters. What I say in a sense is speculation in terms of what he would do, but without treading on the toes of the specific intergovernmental relations piece of work, I think he will want to look at how on a practical level the Governments of each part of the UK rub along together. I think he will want to look at how, as we go forward in the new arrangements post the EU in relation to things like frameworks, all that is going to be managed.

I think he will also want to look at the UK Government presence and visibility in Scotland. As we all appreciate, Scotland has two Governments. It is important—and the Smith Commission identified it as important—that people understand what both these Governments do. It is also important that they are visible and they have easy access to them. I think he will want to look at those elements as well.

Q4 **Chair:** A lot of this will be a branding exercise, because I have read reports that his intention is to make sure that Scotland is aware of the UK Government's presence around a number of features and issues. Is this—

David Mundell: I would not—



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Chair: How would you describe it then?

David Mundell: I would describe it in the way that the Smith Commission looked at it. It is about ensuring that people have a better and fuller understanding of the governmental arrangements for Government in Scotland. That was one of the clear recommendations of the Smith Commission—that people should be better informed, not just about what the powers and responsibilities are, but how they are being performed and carried out and to have that accessibility to both their Governments.

Q5 **Chair:** Will it have this war chest of tens of millions of pounds at its disposal, as reported this morning?

David Mundell: I don't believe everything I read in the press, but I think it is important. I make no apology for UK Government spending money in Scotland, making people aware of what its role and responsibilities are and how we are carrying them out.

Q6 **Chair:** Because a lot of people might suggest that all this activity—the Dunlop review, the war chest that has been built up, the new resources that you are going to be putting forward in Edinburgh—is because the UK Government are just getting a little bit concerned about what they are observing in opinion polls when the Scottish people are asked about the question of Scottish independence. It significantly rises under certain scenarios and there is quite close to 50%. A glance at the opinion polls is informing a lot of this activity perhaps.

David Mundell: If we want to talk about opinion polls, we can talk about the one that says only about 20% of people would welcome an independence referendum before the 2021 Scottish Parliament election. It is not specifically in that regard, but the UK Government are very clear that we are committed to the maintenance of the United Kingdom. That is our position. The Scottish Government legitimately—I do not say that it is not a legitimate policy position—are committed to Scottish independence. They spend a lot of time talking about Scottish independence, promoting Scottish independence, and that is within their abilities.

Personally, as you have heard me say previously, I would not regard that as the best use of time and resource, but they do. I think the UK Government are perfectly entitled to promote the benefits of being within the United Kingdom and make sure that people know more fully the roles and responsibilities of the UK Government.

Chair: Of course, other opinion polls available show something entirely different about an early independence referendum, but we will leave that aside just now. I know a couple of colleagues want to come in before we move on to the Scotland Office itself. We have Tommy Sheppard and then Deidre wanted to come in.

Tommy Sheppard: Good afternoon, Secretary of State.

David Mundell: Good afternoon, Tommy.



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Q7 Tommy Sheppard: Earlier this year the Cabinet Office commissioned some research into public attitudes towards the Union. I was wondering whether they shared the products of that research with you.

David Mundell: The analysis of that research is still ongoing.

Tommy Sheppard: But you have been made aware of its results?

David Mundell: I am aware of certain aspects of it, because that research, which all Governments carry out—the Scottish Government carries out opinion research in relation to its policies—can be very detailed. Certain parts of it are then analysed and used in conjunction with policy development.

Q8 Tommy Sheppard: I am very pleased that they have shared it with you, because they will not share it with me, despite repeated questioning. My latest attempt under the Freedom of Information Act to obtain this information was rejected, citing clause 35—that the information was exempt because it related to the formulation of Government policy. That intrigues me because yourself, the Cabinet Secretary and other Ministers have been clear to point out that they are not intent on reviewing the constitutional settlement or changing the policy on devolution; and that what is going on is simply an administrative organisational review within Departments to see how they can work better and make the Union work better, from your perspective. I am intrigued as to what policy then may be being reviewed that this research has a bearing on.

David Mundell: I think it is in connection with all the policy responsibilities that the Cabinet Office carry out in relation to the constitutional settlements. As you know, that research was instigated some time ago. It was not instigated in conjunction with either your report or the Dunlop review, but was part of an ongoing research base to inform policy development. The Government operate very clear rules—they are obviously observed by commissioners and independent bodies in relation to how information is designated and which information is released or not.

Q9 Tommy Sheppard: Is Government policy on devolution under review or not?

David Mundell: Government policy in relation to the devolution settlement is not under review.

Q10 Tommy Sheppard: How then is it justified to withhold information under clause 35 of the Freedom of Information Act?

David Mundell: I did not make the determination in relation to the information in question, but there is a process for you to be able to ask for that to be reviewed—there is a process by which you can involve the Information Commissioner if you are not happy with the way in which the Government have dealt with the information in question.

Tommy Sheppard: The appeal has been lodged.



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- Q11 **Deidre Brock:** Further to Mr Sheppard's comments—good afternoon, Secretary of State—in fact, the Scotland Office I believe has stopped publishing responses to freedom of information requests online. You told me that was because the costs of doing that were too high. Can I ask what the costs of publishing were and how the savings have been deployed? You also said that you were carrying out or you carried out a review of your FOI practices. Can you share that review with the Committee?

David Mundell: I can certainly in relation to the very detailed initial part of your question. We will respond to you in writing, which I will do. Perhaps, Gillian, you are in a position just to say something about the review itself.

Gillian McGregor: Yes. I will take that back to the team and talk about the FOI review. I suppose the context that we work in, like all Government Departments, is that our budgets are pretty pressed. Our communications team is relatively small, so we are always looking at things through a lens. I will certainly take away the issue about the FOI review and come back to you.

- Q12 **Deidre Brock:** I think it is very important, in the interests of transparency. It was around late 2014 when the decision was taken that a review would be ongoing, and we have not had any response to that since, so that would be very useful.

Very quickly, on top of Mr Wishart's questioning, Secretary of State, how much discussion was there with Lord Dunlop about the contents of that review? You said, "I imagine he will be doing this and that" but how many meetings have there been discussing exactly what will be the content of that review?

David Mundell: The Prime Minister announced the review. The terms of reference were published at that point. Lord Dunlop has considerable scope within that to determine how he conducts the review and the nature of the structure of the review, so he is currently reflecting on how to do that. He wants to do it quickly because the issue with reviews—you have just touched on it—is we do not want a review that is going on for a very considerable amount of time. He is a very experienced person in this arena and is just looking at the moment to try to determine a structure and a timescale in which he would take it forward.

- Q13 **Deidre Brock:** But you will be feeding your considerable knowledge and experience into the content or the scope of that review?

David Mundell: I will. I will be making a submission to his review.

- Q14 **Chair:** Neither of the prime ministerial candidates will be bound by this review. I think that has already been stated.

David Mundell: They are not bound by the review, but they have both indicated that they would look positively on the review.



- Q15 **Chair:** I am just wondering, in your own office, if we start to get into this territory, whether that review will look at our suggestion, which was to create one Department across the UK. We would not use the word “abolish” but perhaps there might not be the need for—

Tommy Sheppard: Subsume.

Chair: Yes, subsume—that was a good word from Mr Sheppard—into this extraterritorial Department. Would he would be looking at that?

David Mundell: He will most certainly be looking at your report and all the evidence that led to your report. My reading of the Committee report and the basis I responded to it was that there had been some discussion about that suggestion, but the Committee itself did not recommend that particular outcome. The Committee suggested that there be a review. Obviously, I would not myself favour that outcome and, therefore, would be putting forward a different outcome, but I am quite clear that Lord Dunlop will look at all the submissions that are effectively made to him. It will be for him to decide how he goes about it but, as you know, that particular proposal is well rehearsed, so it is out there.

- Q16 **Chair:** You perfectly characterised the recommendation from this Committee, which was we did not recommend that, we suggested that just because of the strength of the evidence that was secured. A lot of the evidence we have about the operation of your office was suggesting that it is being bypassed, whether that has been at top level, bilateral relationships and engagements, which increasingly seem to be handled by the Deputy Prime Minister, and at a Department level from the Scottish Government to Whitehall, where Scottish Ministers are regularly bypassing the Scotland Office and dealing directly with relevant Ministers down in Whitehall. I just wondered what you made of that and whether you felt that that characterisation was fair or realistic. Basically, isn't it the role of the Scotland Office when it comes to these type of day-to-day arrangements now?

David Mundell: I think the word “bypass” is quite a loaded word, because it suggests that there was a deliberate effort to not involve the Scotland Office. I do not recognise that at all. I encourage direct links. A very good example is in relation to welfare. Two weeks ago, along with Shirley-Anne Somerville, I chaired the Joint Ministerial Group on Welfare, which essentially has the responsibility of transferring these very significant powers in relation to welfare to the Scottish Government to manage the timetable in which those are transferred, to manage the parliamentary process and the various orders that are required.

In that process I encourage DWP and Scottish Government welfare officials to work closely together. That is how, by doing that, they have been able to facilitate the Scottish Government's child poverty payment, which will now come in at a different point in the cycle and the rest of the powers will have to move on a different timescale. The close working between the officials is to be welcomed, but I have the lead responsibility of ensuring that all of that happens from a UK Government point of view.



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Of course, the role of the Scotland Office is not solely to manage relations with the Scottish Government, but is in fact to represent Scotland's interests in the UK Government. My personal experience is that, where Scottish Government are quite happy to proceed on a process level or where they are quite happy to have a grievance with the UK Government, they are very happy to deal directly with another Department, but if they want something sorted they come to me.

Q17 Chair: If they want something sorted, they come to the Scotland Office, so you are now a facilitator and fixer between these different relationships and contacts?

David Mundell: I regard it as an important part of the role.

Gillian McGregor: Could I add something from a departmental perspective? My perception is not of an office that is being bypassed. As the Secretary of State said, some of these relationships between the Scottish Government and Whitehall Departments have become very well developed. That is a good thing, in my view. It is not a threat to the Scotland Office. It shows that those relationships have matured.

But in other cases we do need to support both the Scottish Government and Whitehall Departments in understanding how they should work together. As the Secretary of State said, we also have a role in making sure that Whitehall Departments are able to get to the stakeholders they need to see in Scotland. We continue to be extremely busy in all of those roles. Our relationships with the Scottish Government are daily. I sometimes think that people do not quite understand the extent of the joint working that we do and the kind of interchange between our two offices. There is no perception, I think, at official level that there is any sort of bypassing going on.

Q18 Chair: I cannot remember the example that we were given in this Committee, but it went something like this: if you were the Education Minister in the Scottish Government and you wanted to speak to somebody about a UK-wide thing like research or whatever, which is within the gift of the UK Government in the Department for Education, they would just pick up the phone to the relevant number in Whitehall and there would be very little input from the Scotland Office in terms of any of the communication or anything that was being discussed at that point.

David Mundell: It would be entirely dependent on what the content of that conversation was. Of course, that is a perfectly possible scenario and, as I have said before, one that I would welcome, but conversations vary enormously in their content, in their political significance, in their financial significance. The nature of the conversation would determine our involvement. I am not going to be involved in everything and would not want to be. I wanted to encourage good relationships between the Scottish Government, which I am satisfied happen at an official level to a very great extent, and at ministerial level. You are a seasoned pro, if I



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may say so, Mr Wishart. You know the things that can sometimes happen front of house, but behind the scenes things can go on in a very constructive manner. That is what I encourage.

- Q19 **John Lamont:** Good afternoon, Secretary of State. I wanted to follow on from the question there around Lord Dunlop's review. I was reassured to hear you reiterate the point that it is not going to be a review of the devolution settlement. That is welcome, but there are examples of where the Scottish Government have been unable to take on some of the extra responsibilities and extra powers that have been granted to them, particularly around welfare. I just wondered if the review is going to look at some of those issues and how, moving forward, that might be improved in terms of the Scottish Government's capacity to take on additional powers.

David Mundell: In the first instance, I think the Scottish Government are accountable to the Scottish Parliament in terms of their capacity and in relation to delivering on commitments that they have made. I was very heartened by the discussion that we had at the last Joint Ministerial Working Group on Welfare, where the Scottish Government were very open if they were doing X, but Y would have to be significantly delayed because they did not have the capacity. They were being open about that lack of capacity, which is very helpful in terms of managing expectations of people in Scotland, who may have been led to believe that other changes to the welfare system would take place within a specific timescale. I think it is fairly important that there is transparency on these capacity issues, but Lord Dunlop will not be in any way looking at the welfare proposals and suggesting that they should not go ahead. We are committed to everything that was in the Scotland Act, everything that was in the Smith Commission, which, as you know, Lord Smith said we have delivered in full.

- Q20 **John Lamont:** Thank you, that is very helpful. Moving on, the Cabinet Office is undertaking a review of intergovernmental relations. Could you update us on the progress of that and when you expect it to conclude?

David Mundell: An important step forward has been made in the last few days. I hope it has been shared with the Committee, but if it has not I will ensure that it will be. There was a set of principles that were agreed in relation to how the intergovernmental process should move forward.

While I would accept both the Scottish and Welsh Governments are clear that these matters have not proceeded at the pace they would have wished them to do, I think the publication of the principles is an important step forward in being able to have a structure. I very much regret that the previous intergovernmental relations memorandum of understanding was not able to be agreed. That had been agreed by the Scottish Government. It was Sinn Féin at that point within the then operating Northern Ireland Executive who could not agree it. That is why we then were left with an older version.



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Since the plenary of the JMC, that plenary instigated further work. I am not going to suggest that that has not taken longer than would have been preferable. I agree with what Mike Russell and his Welsh equivalent suggested in their response, which is that we should have an early meeting of the JMCP once the new Prime Minister is in place. I think that would be a helpful way of moving this along.

Q21 John Lamont: The Minister for the Cabinet Office indicated last week that the next stage in the process would be to focus on a dispute resolution mechanism, which would include a role for some sort of independent element in terms of resolving disputes. Are you able to expand a bit on what that independent element will involve and how that will be scrutinised?

David Mundell: The context of the dispute resolution has to be noted, because in 20 years there have only been four formal disputes. Of course, there are numerous skirmishes and other disagreements, but in terms of escalation to a formal process, there have only been four. It is a legitimate point put forward by both the devolved Administrations that the UK should not be both the judge and the jury in relation to determining disputes. We have to find a way in relation to such disputes of giving confidence that there has been a degree of independent assessment. Different models that are put forward—from a sort of mediation-type service to arbitration which as you know with your own legal background, is slightly different and more structured.

We have indicated clearly that we are open to examining these structures, because we want to be able to give confidence that, if disputes are formally escalated—as I said, there have been very few—they should be able to be dealt with in a way that gives confidence that the same party has not just performed all the roles in the process.

Q22 Chair: Before we move on from the Cabinet Office review, we asked Chloe Smith, the Minister involved. She said that there is hope that this would move forward. We know the PACAC Committee is a little bit frustrated with the progress in all of this. Now that Dunlop has been set up, is there going to be any interrelationship between what Lord Dunlop is doing and what the Cabinet Office is doing in terms of this review?

David Mundell: There will be an inevitable connection, but Lord Dunlop's role is not to review the intergovernmental relations. That is a separate strand of work that is ongoing. The Scottish and Welsh Administrations are involved in Northern Ireland through the civil service, so it is not the intention that he usurps that. But there is an inevitable degree of crossover, to a certain extent. He will, I am sure, consider where that process is.

Q23 Deidre Brock: Secretary of State, your office says that it is committed to ensuring that "Scotland's interests are fully represented and considered in EU exit", but of course some have suggested that you tried to avoid the scrutiny of MPs when you sent your Brexit Bill amendments to the



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Lords instead of the Commons. That, of course, led to the Scottish Parliament passing the Continuity Bill, which was then challenged in court at great public expense. The reason given at the time—this follows from the discussion we have just been having—was that the resignation of a Minister in another Department knocked everything off course.

That led me to wonder just how the Scotland Office is viewed in Whitehall and whether your position is, in fact, considered to be the equal of other Cabinet Ministers, because I wonder why you would need a Minister from the Cabinet Office, the Government Secretariat, to back you up in negotiations with the Scottish Government.

With hindsight, 20:20 vision—we would all love to have that—do you consider it an error to have allowed the legislative timetable to have slipped in that way and certainly for all that public money to be wasted on the legal proceedings? Have relations between the two Governments in fact been damaged by your failure to put those amendments in front of MPs first?

David Mundell: That is a rather convoluted question.

Deidre Brock: It is, but I think you will probably see where I am headed.

David Mundell: I will try to pull something from it and you can tell me whether I have hit the spot or not. When a Bill comes before Parliament, a Department is assigned responsibility for it. When we had the Scotland Act in 2016, I was responsible for that, I took that forward, obviously supported by other Departments.

With the Withdrawal Bill and subsequent Acts, which I think you are referring to, the Cabinet Office were responsible for the devolution element because they related to all parts of the United Kingdom. They did not just relate to Scotland—they also related to Wales. Of course, you will recall that the Welsh Government agreed the changes that were made to the Bill and granted legislation through the Welsh Assembly, which obviously was not forthcoming in Scotland regrettably, and there was a Northern Ireland interest. That is why the Cabinet Office had an interest.

I regret the fact that we were not able to table amendments at the Commons stage, but we simply ran out of time. We ran out of time to be able to get those amendments—agreed amendments—because I had committed to trying to get agreement with the Scottish Government. I feel we took all reasonable steps to do that, but we did not get agreement.

Q24 **Deidre Brock:** I am still puzzled as to why we could not discuss those amendments on the Floor of the House.

David Mundell: Because we did not have amendments at the point that the Bill was on the Floor of the Commons. We had a debate about possible amendments. As I recall, your colleagues lodged amendments and the Labour Party lodged amendments, so there was debate or



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discussion. But I regret the fact that the UK Government were not able to bring forward amendments at that stage. It would have been much preferable to bringing them forward in the House of Lords, but we had committed to getting agreed amendments and we did not have agreement within that timescale. I regret that.

That has not overly or specifically damaged relations with the Scottish Government. The reality is that the UK Government are committed to delivering on the Brexit referendum. The Scottish Government do not want to do that. The Scottish Government do not want to leave the EU, so we have diametrically opposed positions; therefore, inevitably there are going to be clashes in that regard. I think everyone respects that. I have seen it on many occasions—and I think Gillian will be able to confirm—that certainly in official discussions, people are able to put that aside and accept that the Governments have completely different positions on Brexit, but then get on with the day to day.

The Continuity Bill has been well discussed in the Scottish Parliament. I still find it very difficult to understand why the Scottish Government would have proceeded with that Bill on the basis that they did.

Q25 Deidre Brock: I am sure the Scottish Government made it fairly clear to you what their concerns were about it, but anyway, I will leave it there.

David Mundell: I think they made the decision to put that Bill through knowing the issues that could arise with it.

Ged Killen: Good afternoon, Secretary of State.

David Mundell: Good afternoon, Ged.

Q26 Ged Killen: I hope we can both agree that it is not in Scotland's interests for Parliament to be prorogued in pursuit of a no-deal Brexit, but that possibility is not being ruled out by the frontrunner in the Conservative leadership contest. What intervention will your office make to stop that from happening to protect Scotland's interests?

David Mundell: First, I thought I might have to make it clear earlier in the proceedings: I am not going to be commenting on the Conservative leadership race—

Ged Killen: Not on the race, just on that potential outcome.

David Mundell: —and all sorts of speculation that has arisen about the position of various candidates and various issues, because my role here is in the current context of the Scotland Office and my role as Secretary of State for Scotland within the current Government. In that context, at this moment I am not aware of any plans to prorogue Parliament.

Q27 Ged Killen: Isn't part of your responsibility to strengthen and sustain the Union? Will you at least agree that that action would not strengthen and sustain the Union?



David Mundell: My role is indeed to seek to strengthen and maintain and sustain the Union and to achieve the best possible outcome for Scotland as we leave the EU. That is what I remain committed to doing, but I am not going to speculate around various propositions and various newspaper reports in relation to what the potential leadership, the next leader, may or may not do.

Q28 **Tommy Sheppard:** Maybe you have already closed down this question. I am not trying to inveigle you into saying which of the candidates you might support or anything like that, but it would seem to me to be imprudent not to consider that it is going to be one of two people. They have certain policy platforms. It would be imprudent not to ask the question: "Do these policy platforms have implications for my Department and its current work programme?" Have you made such a determination?

David Mundell: Obviously, a number of proposals have been put forward during this leadership process. Some have been sustained; others have not. It is not our job to make an assessment of those proposals at this stage. Within two and a half weeks, someone new will be Prime Minister. Once Prime Minister, they will set out their policy agenda, they will make requirements of the various Departments within Government and they will form that Government. That is the point at which it is appropriate to take that forward. Of course, the wider civil service make plans and, as I understand it, they have engaged with both potential Prime Ministers in relation to what may or may not happen initially.

Q29 **Tommy Sheppard:** Perhaps I could ask Ms McGregor because, Secretary of State, you have stated several times now that there is no intention on the part of Government to change policy in respect of devolution and the general constitutional arrangements that we have in the Union at the moment. Should we expect a change of premiership to result in a change of any significant nature in the work of the Department and how it operates, or do you anticipate that it is pretty much business as usual and it will not have any great effect?

Gillian McGregor: I have not been involved in any of these official-level civil service conversations with the two Prime Minister candidates. I have heard nothing from my contacts at senior levels that would suggest that the objectives set out in our departmental plan for the coming year will change. My expectation is that we will still be focused on EU exit; we will be focusing on strengthening the Union; and we will still have a role in being Scotland's voice in Whitehall and in championing the UK Government in Scotland. Nothing I have heard suggests to me that those fundamental objectives would change.

I have been around in the civil service for more years than I care to remember, so I have been through several machinery of government changes and changes in Administration. Changes can happen. The civil service is always ready for those types of changes and to adapt, but in



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relation to our Department, nothing I have heard would change our fundamental objectives.

- Q30 **Chair:** Just on that, commendably, Secretary of State, you have acknowledged the risks and dangers of a no-deal Brexit. I think you said it would damage our economy—the quote I have here seems to be attributed to you. I think you have acknowledged that this could be up to 100,000 jobs and Scots losing £2,300 per year. We all know it is going to be an overwhelming economic disaster if we leave without a deal from the European Union. I think you recognise that—certainly you are on record as recognising that. What on earth can the Scotland Office do to save Scotland from this particular ordeal, and what can you do to influence UK Government policy and ensure that this will not happen to Scotland?

David Mundell: The first thing that I can, and did do, Mr Wishart, was vote for a deal on three occasions when it came before Parliament. I very much regret that you and your colleagues did not do that, because the way to avoid a no-deal outcome is to have a deal. Now, both leadership candidates have made it very clear, without straying into the detail of the proposition, that they want to leave on the basis of a deal. That is the best outcome, in my view, for all of us and whoever is successful should be supported in that aspiration.

- Q31 **Chair:** We do not know if that deal is still going to come back. I have asked on several occasions if it is. Just on that deal, the major feature for Scotland in the Prime Minister's deal was the fact that we would be leaving single market membership, which therefore meant that the three pillars that support a single market membership would also go, too. One of them was freedom of movement. You have probably seen the reports in the press this week, which are suggesting that we could lose 500,000 people in Scotland. There will be huge impacts for our economy with the ending of freedom of movement. Have you done anything at all to try to ensure that freedom of movement would be continued as a feature of any deal leaving the European Union?

David Mundell: First, I think it is probably not the moment to rehash arguments around the previous deal, but my position is very clear. Prime Minister Theresa May's deal contained many of the elements of the Scottish Government's publication, "Scotland's Place in Europe". It did not—

- Q32 **Chair:** Which ones?

David Mundell: Yes, it did. It contained many elements and was, I think, consistent with it. Yes, it did not involve membership of the single market because that is inconsistent with leaving the EU. That is very clear. I think I have said to this Committee before that I want to make sure, in relation to those who can come to Scotland, that we have immigration policies within Scotland and the UK that allow the people that we need to come to Scotland. I am sure that can be achieved when we are able to



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conclude a new immigration policy. As you know, the immigration proposal put forward in the White Paper is a consultation and it is very important that people feed in, but I do not accept that Scotland's population and the number of people who come to or are attracted to Scotland is solely based on visa arrangements.

Q33 **Chair:** It is about freedom of movement.

David Mundell: It is based on a whole host of other issues and the attractiveness of Scotland. As we have rehearsed well in the Chamber, making Scotland the highest-taxed part of the United Kingdom does not attract people to come. Not dealing with infrastructure issues in rural Scotland does not make it attractive, because right now people could go to some of the most remote communities in Scotland. They do not because there are significant infrastructure issues. It is a combination. I believe we have to have the right backdrop, but we also have to make Scotland attractive for people to come to, both from the rest of the UK and from elsewhere.

Q34 **Chair:** You do not accept any of the evidence that suggests that Scotland will significantly lose out with the end of freedom of movement—all of the reports that have been done by various bodies? It is not an issue or concern for you?

David Mundell: It is an issue and a concern for me that we need to bring people to Scotland, but we need to do that on the basis not just of the visa arrangements—

Chair: It is nothing to do with visas. It is freedom of movement.

David Mundell: —or freedom of movement, but we have to do it also in making Scotland an attractive place to come to. I would much prefer if we were in a situation where the UK Government and Scottish Government could work closely together to try to address some of those issues in relation to the specific blocks on people coming and setting up home and taking their lives forward in Scotland. A lot of those issues are down to infrastructure and housing. These issues need to be tackled in conjunction, but I do not accept a simplistic argument that just ending freedom of movement will reduce Scotland's population.

Q35 **Chair:** You know this Committee has an ongoing interest with immigration, so we will continue to review and revisit this. We are hearing what you are saying about trying to do something about this. We might come back to you on this specific issue because I think we have taken this very seriously. We know the impacts that immigration will have on Scotland.

David Mundell: You have had a previous report, which was very—

Chair: We will come back to that.



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David Mundell: I felt it was a very important contribution. I would welcome the opportunity to work more closely with the Scottish Government on tackling some of these issues.

Q36 David Duguid: One Brexit-specific aim mentioned in your departmental plan is to ensure opportunities for targeted support in agriculture and fisheries are taken up. What specific support or interventions are the Government planning for in these sectors? What are their objectives and what form will they take?

David Mundell: We need to see exactly the shape of the arrangement for leaving the EU and the timescale. That will inevitably shape such arrangements. I think that there has been an acknowledgement by the current Secretary of State in DEFRA and by leadership candidates that this will be necessary. Part of my job is to highlight the very specifics of Scottish agriculture, which NFU Scotland has also recently done. I think the nature of the support will be dependent on the nature of the arrangements by which we leave and when we leave.

Q37 David Duguid: Thank you for that. As a supplemental, what role does the Scotland Office have in dealing with the Scottish Government on the progress of the Agriculture and Fisheries Bills?

David Mundell: We have been heavily involved with both of those Bills. Officials have been involved in the drafting of the provisions of the Bill. We have been involved in working closely with stakeholders. Sometimes I am asked, "What dreadful thing did you stop?" and that is not how I want to operate. I want to operate, in that we are in a very early point in the process, supporting colleagues in the work that they are doing. In terms of bringing that Bill forward, we were closely involved with both the Scottish Government and with DEFRA in the formulation of the clauses and how most of the arrangements would be taken forward, and we had very close working with the industry across the piece in that regard. That is the level of our engagement and we have very close relationships with all the key stakeholders, as I think you know.

Gillian McGregor: This is a good example of where these relationships between DEFRA—the lead policy Department—and the Scottish Government have really matured. We are still closely involved. We see colleagues in both the Scottish Government and DEFRA regularly on these issues. One thing we have been able to do is to make sure that colleagues in DEFRA, who are mainly but not exclusively Whitehall based, are able to speak to the right people in Scotland, including the Scottish Government, but also key stakeholders in other parts of the agriculture and fisheries industries.

Q38 David Duguid: Agriculture and fisheries in Scotland, it is a different shape, it is a different size, it is a different proportion of the economy in Scotland as it is the rest of the United Kingdom. What aspect of that is enhanced or emphasised by the Scotland Office?



David Mundell: First and foremost, I repeatedly—without breaching Cabinet confidence, you will be pleased to know—make that point at Cabinet and Cabinet Committees, so there is an understanding of particularly the importance of fishing, but also the different dynamic in relation to agriculture. In relation to agriculture, clearly there are significant differences in terms of the agricultural timetable if we leave the EU on 31 October compared to 29 March. There is a feeding in of the factual basis; there is a feeding in of the propositions that the industry bodies have put forward; there is the need to ensure that both those Bills that you allude to fully take into account the needs of Scotland.

Q39 **Ross Thomson:** Secretary of State, after listening to the tone, I think it would be good to pedal some optimism in here. On that very note, my question is around the proposals you mentioned in your submission to the Committee, where you talk about, “in-depth policy projects with other Government Departments” that are aimed at, “ensuring that the policy objectives are achieved for the benefit of Scotland”. Could you expand on that and talk us through how you think that would work and also how you would measure whether those objectives have been successful or not?

David Mundell: A very good example, which we have just brought to a conclusion in the last couple of weeks, was the Borderlands Growth Deal, which required us to work very closely with the Ministry for Housing, Community and something else—it is a very long title—with DEFRA, with the Department for Transport and with DCMS. My role was to bring those Departments together with the Scottish Government, the five local authorities, to put together a package of measures that would support growth in that geography, which is the same size as Wales.

We had done Growth Deals before that involved just ourselves, the Scottish Government and one or two local authorities, but this was an occasion where we had to involve and work with and align the objectives with five other UK Government Departments. I think it is a very good way of demonstrating the Scotland Office is a catalyst to make that happen. The final outcome is a package that will be worth nearly £400 million and have some really key projects for that geography. As I say, of course we have achieved other City and Growth Deals, but this is a completely different beast.

Gillian McGregor: If I could give another example, it would be some of the work we have done in relation to galvanising Scottish input to the Industrial Strategy and the Challenge Fund. Our Department has been very proactive in ensuring that the right connections are made and that Scottish stakeholders are aware of what is available under the Industrial Strategy and that is well socialised in Scotland. That is another area in terms of project management where we have focused our energies.

David Mundell: We have worked very closely with the Scottish Government on the Industrial Strategy. I took part in a very positive event with Derek Mackay and the SCDI. We did make a deal ahead of the event. I promised not to mention Brexit and he promised not to mention



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independence, so it was a very productive event, because people in business, they do not want to be drawn into these contentious political issues, they want to hear what both Governments were doing to support business in Scotland. We can and do work together. In that regard, Mr Thomson, I am optimistic in relation to what can be achieved.

Q40 Ross Thomson: That is great. There is going to be a new Union unit in the heart of Downing Street because both leadership contenders have committed to that. I would be interested to hear if that is something that you would welcome, you think is a good thing, and given that it is not just for Scotland but is for the whole of the UK, how you think that might operate and work. Do you have any thoughts on that?

David Mundell: I very much welcome it because my belief, without rehearsing arguments that I am sure will be made on that, and my view is that No. 10 Downing Street is the Department for the Union within Government and that it should be driving forward an agenda that ensures that the policies of the Government are fully consistent with the needs of all parts of the United Kingdom. That means all parts of England as well.

I think that having a strong understanding of the Union, a strong ability to pool Departments together and to require them to assess what the proposals are in the wider context of the United Kingdom is a really positive thing. I very much welcome what has been said. I think that has happened previously with slightly different iterations and I would welcome it as a very positive development.

Q41 Deidre Brock: The departmental plan says that by 2020 you will have achieved a settled position for Scotland in the United Kingdom. Can you tell us what that means?

David Mundell: That is about ensuring that we have a stable form of Government. That is partly what the Dunlop review will do—look to improve how the UK Government operate in connection with the devolution settlement—but we have had a lot of change over a period of time. I think a stable arrangement whereby, once we have left the EU—the adjustment to the powers and responsibilities of Scottish Parliament flow from that—I would like a period of relative stability, but I can't guarantee that because, of course, there are outside forces who may wish to bring about something different.

Q42 Deidre Brock: Outside forces? Oh, what do you mean by that?

David Mundell: Forces that are not within my office.

Q43 Deidre Brock: I see, right. That sounds like some sort of horror movie or something.

David Mundell: No, it is not. I have said many things about Mr Wishart, but I have never compared him to a horror movie.

Q44 Deidre Brock: The plan also mentions holding regular constructive dialogue with stakeholders who believe the UK Government in Scotland is



visible, accessible and collaborative. Can you tell us a little bit more about the groups that you will be engaging with? It seems almost to suggest that you will only be engaging with the groups who have a positive opinion of the Scotland Office, but it would be interesting to hear your thoughts.

David Mundell: I engage with people who don't have a positive opinion of Government generally. We want to engage with everyone. I think you make a very legitimate point. Speaking to colleagues in the Scottish Government, they had this point as well. There is a way in which you get drawn into engaging with the usual suspects and, therefore, we try to make a very concerted effort perhaps to engage with others. That is why we try to engage on a wider geographic basis and try to get out and about to all parts of Scotland, trying to have greater access, particularly to younger people.

Q45 **Deidre Brock:** Perhaps connected with that then, I see that your spending on social media advertising has gone back up to industrial strength again. We have had nearly £13,000 in February and nearly £11,000 in March. That is certainly a far cry from the days when it was only a few hundred pounds a month and it is certainly very different to the Welsh Office. When last I looked, I think I had a figure of about £71 for an export summit in 2016. Could you give us some more details about the advertising campaigns you have been running with that money?

David Mundell: I set this out in my earlier remarks. I think it is important that we demonstrate, first, the respective powers and responsibilities to Scotland and to Government and what we are doing. We have promoted a number of things on social media—for example, our Growth Deals. I think it is very positive that people understand those deals. We have set out a range of activities that the Government have pursued, but I accept your legitimate scrutiny of what we are spending. I absolutely think that it is right that we should be held to account for that, but we have to have a degree of context. The Scottish Government spend on comms staff was £2.6 million compared to the £700,000 of my office.

Q46 **Deidre Brock:** But that is a Government and I suppose we should be more fairly comparing it with the UK Government spend on comms, which are figures I do not have to hand, unfortunately. Can I ask why the Welsh Office spends so much less than the Scotland Office?

David Mundell: You would have to direct that question at the Welsh Office.

Q47 **Deidre Brock:** But don't you discuss it with your counterpart?

Gillian McGregor: There is a point here. Before I talk about talking to other offices, as well as your legitimate scrutiny of communications and campaign spend, of course, it is part of my role to make sure that it is properly spent. I feel that our spend, certainly on our digital scope, has been extremely successful. This gets a lot of coverage—people seem to want to read it. Other Government Departments such as the Northern



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Ireland Office have been keen to talk to us about how we do it and they are keen to learn from us.

Q48 **Deidre Brock:** Put lots of money into it I think is part of the secret, isn't it?

Gillian McGregor: It is important to be able to reach as wide an audience as you can. We do this through digital means, which is the modern way of reaching wider groups. As the Secretary of State says, we want to reach young people and we want to reach other groups who we may not normally meet in our day-to-day work. The spend is money well spent and I do not feel that it is disproportionate to our role.

Q49 **Deidre Brock:** You might want to look at the questions I have asked of other Departments and the spend that they are making on this particular area. Just further to that, it seems very much to be concentrated on social media and none on newspapers. Have you ever considered spending a few bob on newspapers, supporting local business and your local press in order to make sure those messages get out as far as possible?

David Mundell: I think we have done newspaper advertising. I will check on that. We certainly work very hard to try to give particularly local newspapers as much content as we possibly can in order to fill the news pages.

Q50 **Deidre Brock:** True. Finally, what do you think are the core messages that you are trying to get out through that social media?

David Mundell: The core messages are to ensure that people understand the roles and responsibilities of the UK Government and what we are doing to fulfil them and unashamedly that people benefit from being part of the United Kingdom.

Gillian McGregor: Another message, particularly in relation to City Deals, which the Secretary of State mentioned earlier, is the fact that the two Governments can work well together. Lots of the feedback we have—the Secretary of State alluded to it—is that this is what people want us to do. A lot of our content is about things that we have delivered with others, not simply on our own.

Q51 **Deidre Brock:** How much of that extra £100 million—that is the figure being bandied around—do you think might be put into campaigns like that? There was some discussion of marketing, I think, in *The Herald* article. Have you been in discussions with anyone about that or what that might be spent on? Is that something that you would consider to be in the interests of the Scotland Office—getting more money so that you can start putting up more of these adverts on Facebook and Twitter?

David Mundell: You have given us a suggestion about what we might spend some more money on in terms of newspaper advertising.

Q52 **Deidre Brock:** The article mentions marketing. It quoted a figure I did



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not recognise for the amount spent on marketing in Scotland. I think it was described as marketing, marketing/advertising what the Scotland Office does and what the UK Government do in Scotland.

David Mundell: I do not recognise the £100 million figure.

Q53 **Chair:** It was tens of millions, I think.

David Mundell: Tens of millions. No, I don't, as I say, make an apology for promoting the UK Government and the benefits of the United Kingdom within Scotland.

Q54 **Chair:** On this, I found your departmental plan fascinating, but most of it seems to be around—and it is your first bullet point—"A settled position for Scotland in the United Kingdom with increased recognition of what the UK Government delivers in Scotland". A perfectly legitimate aim and intention, but it seems to me that your departmental plan is all about, "We are going to get Scotland to love us a little bit more by imposing ourselves a bit more heavily on the population of Scotland". Are we going to see everything branded "UK Government"? The whole focus seems to be about this and everything you have said to us today about what you are intending to do—whether the Dunlop Review or your plans and objectives for the Department—it is like, "We are going to make you love us by asserting ourselves a bit more readily in your community".

David Mundell: I thought we were doing so well. I do not believe you can achieve anything by the sort of approach that you set out, so that is not the approach we are following.

Chair: Neither do I, actually.

David Mundell: My view is that the way forward is to provide people with as much information as they need or wish and they make their own judgment.

Chair: We will look forward to seeing all this branding going up all over Scotland.

Q55 **Deidre Brock:** That brings me back again to the question of why the Wales Office is spending so much less than the Scotland office.

David Mundell: I cannot account—

Deidre Brock: I appreciate that but it does seem out of kilter.

David Mundell: —for that because that is a different Department. We make our judgments. As we have said, I am happy to take responsibility for that. On the other hand, I am very happy that you and others scrutinise and hold me to account for doing that. However, I cannot second guess the Wales Office in terms of how it approaches these matters.

Q56 **Ross Thomson:** I have been looking at the social media things. It is interesting. I am on the UK Government Twitter page right now, for the



UK and Scotland. A lot of the things here are advising people on savings and changes to pensions. There is a lot of information there people would rightfully want to know about.

Have you had feedback that people find the information quite useful? What other way is there to communicate these changes if you are not going to spend on social media?

Tommy Sheppard: It does not cost anything.

Ross Thomson: Sorry, Tommy, I asked the question of the Secretary of State.

David Mundell: We look at feedback. We look at what people respond to, in the way that others do. There is a general view now, for example, that people respond more positively to a moving image—I am sure it has some technical term—rather than just a set of words. We take feedback all the time and look at how many people have been reached and all of that analysis.

It comes back to the point Ms Brock made: is that getting to everybody in every community and what is the best way to achieve that? There are a lot of differing views about the effectiveness of certain parts of social media. There is a greater push these days, for example, on to Instagram. I am sure there is all sorts of social media I do not even know about. I am not on Snapchat for the Scotland Office.

Chair: We will leave the personal details of the Secretary of State's social media accounts outside. Thank you for that.

Q57 **Tommy Sheppard:** I want to ask about the new offices that, of course, are in Edinburgh East. Can I start by asking Ms McGregor: what is your full-time equivalent staff in the establishment at the moment and what do you plan it will be at the point of moving to the new office?

Gillian McGregor: Overall in the Scotland Office we have 80 staff. We are divided between offices in Edinburgh, currently at Melville Crescent in the West End, and in Dover House in London. I anticipate that, when we move to the hub, all of our Edinburgh-based staff will move there. We also anticipate that our sister Department, the Office of the Advocate General, will join us and that we will have some Cabinet Office colleagues there as well. Up to now we have all been in different locations and the new hub provides the opportunity to come together.

The other real benefit that I see for the hub is that it is right in the centre—it is a central location in Edinburgh that gives us easy access to the Scottish Parliament. It gives us easy access to our colleagues in the Scottish Government who we are interacting with all the time and them with us. I see it as a huge opportunity for us to provide a bit more of a holistic presence in Edinburgh, rather than being dotted around in various locations.

Chair: The numbers was the question.



Gillian McGregor: The numbers that will be moving from the Office of the Secretary of State for Scotland to this new office will be in the region of 35 to 40 from our office, which is the general complement of staff we have. It moves around because when we advertise posts for the office, if we can we are very happy for people to be based in London or Edinburgh, unless there is a specific reason why they need to be in one location. All of us spend a lot of time travelling between the two locations and this is another thing the new hub will give us, a more modern working environment where we will be able to work a bit smarter.

Chair: We do not have much time left and I know there are going to be lots and lots of interesting things, but the question was about the numbers.

Q58 **Tommy Sheppard:** I have that, but I just wanted to follow up and say I visited the offices two weeks ago, courtesy of the Department. It was random and—

David Mundell: On that, I would like to extend an invitation to the whole Committee to visit the offices. Indeed, we will encourage other Scottish MPs and stakeholders to come along, probably in September after the summer recess. I would be very pleased to afford everybody the opportunity to visit.

Q59 **Tommy Sheppard:** Very nice they are, too, and in a very good location. However, on talking to staff about what was going to happen there when they open next year, the intention is that it provides an office environment for up to 3,000 personnel, 2,700 of which are members of HMRC, a small number—35 or 40—will be you, then there is the CMA and the Office of the Advocate General as well. To describe this as a UK Government hub is a little bit of an exercise in spin and hyperbole, isn't it? It is essentially a new tax office.

David Mundell: I do not recognise that description at all. It is about bringing together all—

Q60 **Tommy Sheppard:** It is an HMRC building. They are the tenant.

David Mundell: We are bringing together all the people who are in and around Edinburgh and the east of Scotland in a single location. That is the ethos of the hubs that we are creating elsewhere. We are creating a hub in Glasgow, for example. The office that we are creating in Edinburgh will essentially act as the headquarter building for the UK Government in Scotland.

Q61 **Tommy Sheppard:** The building is leased, maintained and run by HMRC.

David Mundell: That is an administrative arrangement. If we were here being told there were 20 leases for each Government Department in relation to the building and that we hadn't had a single management operation of the building, we would be being chastised. It is an administrative simplicity to require that. The building is a UK Government



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building and will operate as the UK Government's principal hub in Scotland.

Gillian McGregor: We have very good relationships with HMRC. We are a partner in this project with a strong governance structure that makes sure everybody's views are fed in about how this building will be.

Q62 **Tommy Sheppard:** I have a feeling it might be a pea in a rather large pod, to be honest. We will see.

David Mundell: That is not the argument I usually get about the building, Mr Sheppard. The argument made about the building is usually quite the opposite. I am very pleased you have been able to go along to it and, as I say, it will be very good if the Committee and others are as well.

Chair: Yes, I think we will all take advantage of that very kind invitation to go to see the new hub in Edinburgh.

Q63 **Hugh Gaffney:** What involvement has the Scottish Office had in the development of proposals for the Shared Prosperity Fund?

David Mundell: We have had significant involvement. We have helped and played a part in facilitating consultation discussions that have taken place across Scotland. Obviously, however, the Secretary of State for Housing and Communities, who is the lead in relation to the fund, has not yet been able to come back to the Commons, as he has said he would do, to set out the shape of the fund or the next stage of the consultation. Obviously, my objective is to seek to ensure the maximum funds for Scotland going forward.

Q64 **Hugh Gaffney:** How much influence will you have on that from the Scottish Office?

David Mundell: I hope that we will have significant influence. We will certainly do everything to bring to bear that influence with the Treasury and with those who are shaping the proposals. The proposals will go out to consultation. Obviously, the Government's position remains that all funding in place ahead of leaving the EU will be honoured.

Q65 **Hugh Gaffney:** Do you envision that the fund will support initiatives only in reserved policy areas?

David Mundell: The funds have supported both reserved and devolved areas previously and I imagine that going forward it would be the same, but we want to take forward a view, which I think is shared by the Scottish Government, of having a much simpler and less bureaucratic process in relation to application for funds. We want to make sure that the projects funded are much more consistent with existing Government—whether it is Scottish, UK or local—priorities rather than those projects being inconsistent with policies pursued locally.

Q66 **Hugh Gaffney:** Therefore, do you expect the money provided to



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Scotland by the Shared Prosperity Fund to match the current level received from the EU Structural Funding?

David Mundell: Being very honest, that will be a debate and discussion with the Treasury. Effectively now, with the new Chancellor and Prime Minister, I will be arguing—as I have done to date—for the maximum amount of funding for Scotland. I believe that funding has been overall very beneficial. People can always point to individual projects that they feel were not best value for money, but overall that funding has made a difference, particularly in the Highlands of Scotland. I would want to see funding levels maintained but that will be a debate and discussion involving the Treasury, clearly.

Q67 **Hugh Gaffney:** You said “to date”. Have the Government proposed a method for allocating the spending between the nations of the UK?

David Mundell: They have not, no.

Q68 **David Duguid:** A quick question on the Shared Prosperity Fund. It has often been described as something that can replace what is currently regarded as funding that comes from the EU, so bringing it closer but still being a Shared Prosperity Fund for across the UK. Do you believe it represents an opportunity to move away from the so-called devolve and forget approach that has been suggested in past years?

David Mundell: I would like to see the funding be as effective as possible. For it to be effective it should be consistent with Government policy, which is both Scottish and UK Government policy and indeed local authority policy. It is an opportunity to do something different, which is what leaving the EU provides for in areas like this. Therefore, as we go out to consult and as we consider proposals, I do not think anything should be ruled out in terms of what is considered.

Q69 **Chair:** Secretary of State, you said 4.30 pm. Can you stay another 10 minutes or so just to conclude the questions we have for you?

David Mundell: Yes, I can do 10 minutes. Ten minutes will be okay.

Chair: I know Mr Lamont would never forgive me if we never got to City Deals, and I am sure he is keen to ask a couple of questions on that.

Q70 **John Lamont:** Yes, City Deals, Growth Deals and in particular the Borderlands Growth Deal that I was very pleased to see signed last week. Could you explain your role and the Scottish Office role in terms of negotiating those deals?

David Mundell: I think we set out in response to Mr Thomson’s question the role we played in the Borderlands, which was a very complicated and difficult arrangement technically to pull together. Within the other arrangements we have the lead responsibility within the UK Government to make these things happen, so it involves working with both the Scottish Government and the other stakeholders. I would put on record how productive I found our working relationship with Michael Matheson in



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his role of having the responsibility. I had a very productive meeting with him last Monday after the Borderlands launch where we reviewed all the deals that had been done and all the remaining deals we would want to do.

It is my aspiration that we have a deal for every part of Scotland and we are quite close to being able to achieve that. It involves detailed assessments of the projects because the amount of money we are able to come forward with is based on projects that stand up to the sort of financial scrutiny we were discussing earlier. The Treasury has its Green Book and its rules and the projects have to be able to meet those. We have to work with the partners to ensure they can bring forward projects that can fall within the funding availability. We have a position where we have the initial quantum, then heads of terms and detailed agreement, then the managing of it and the governance through the process. We are heavily involved in the governance as well to make sure the project is happening, the money is going to the right people and it is working as envisaged.

The deals are at different stages of maturity. The Glasgow deal is five years old and we are coming to what is called a gateway review where we look at what has been achieved in this five years and what may be needed to go forward. We are at the very heart of that process.

Q71 John Lamont: In many ways, do the Growth Deals not demonstrate what can be achieved when both Governments work together constructively?

David Mundell: Yes, I think they do. They also demonstrate that we do work together, even when there are the most heated of other debates and discussions ongoing.

Gillian McGregor: In terms of governance, we have a set-up where the Scottish Government and the Office of the Secretary of State for Scotland chair the delivery committee that will determine how these deals shape up, speaking to partners. What we bring to the table is that we are able then to galvanise the different Whitehall Departments that have the policy responsibility for the projects that are on the table.

The Secretary of State mentioned the gateway review that is coming up. We have annual conversations with the partners in the City Deals and all of those are done jointly with the Scottish Government. I agree, it is a very productive relationship. Certain projects, of course, could not happen if we did not both bring something practical to the table, so it is a really good example of how we work jointly.

Q72 John Lamont: That is good news in terms of how these projects are governed, because obviously with all these different Departments and two different Governments involved the danger is nobody is actually in control.

How is the overall governance scrutinised? Who ultimately is watching to



make sure that that body, which you have just described, is doing what it should in terms of oversight?

Gillian McGregor: Our Department is responsible for that and ultimately the Secretary of State, as our Minister, will be responsible. I am also responsible in terms of making sure that process works properly. The Treasury has advised it wants a hands-on role in this, too. One of our key relationships is with it to make sure every project is analysed against the Green Book protocols.

There is a lot of scrutiny and governance around the process. What I would say is where we bring something to the table is making sure that all the different components are brought together and we get things done in a timely fashion, because these deals need to be brought together for key moments at the same time.

Q73 John Lamont: What is the biggest thing you think you have learned since the first deal you did compared to the ones that have just been signed, particularly Borderlands? What has been the most significant learning point for you as a Department in terms of what you have improved?

Gillian McGregor: I think our processes and our way of agreeing. Definitely our joint working with the Scottish Government has evolved. We have very good processes and relationships in place there. I think the understanding of the needs of Scotland across Whitehall Departments on some of the reserved projects has really improved. We have been able to develop a slicker process that is understood by partners and to lay down some very clear guidance about how partners can bring projects to the table that will really succeed. In the early days some of the projects were perhaps a bit less formalised and we were not giving enough support to partners to explain how we could make this better.

I think we have all learned from this and partners have learned. There is a lot of dialogue between the different City Deals so the partners talk to each other. I think that is part of it; we have been able to give a bit of a clearer steer on what is likely to succeed.

David Mundell: I think there is going to be a conference, which members of the Committee might be interested in, later in the year that will bring together participants from all the deals and there will be an opportunity for sharing of experiences.

Q74 Chair: This Committee has already taken an interest in City Deals, as you know.

David Mundell: Yes. I think Audit Scotland is about to do a report as well.

Q75 Chair: Coming as I do from Perthshire, I am disappointed that it is the only City Deal that was never match-funded by the UK Government, £200 million to £150 million from the Scottish Government to UK Government.



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David Mundell: My understanding is that the Scottish Government have given £150 million but then have chosen to provide an additional £50 million for other projects.

Chair: It would have been nice to have been match-funded by the UK Government, but we will leave that alone this time because I know Deidre wants to come on to Stronger Towns.

Q76 **Deidre Brock:** Further to all the discussion about City Deals, Secretary of State, can I ask for your understanding of what the Stronger Towns Fund is and how you expect to impact it through your office?

David Mundell: First, so that there isn't any unhelpful speculation, any funds that come through the Stronger Towns Fund to which the Barnett formula applies will be Barnettised. There is no suggestion that funds to which the Barnett formula would be applicable will not be Barnettised; they will. The 2015 CLG budget has already been Barnettised and the 2019 budget coming through from the spending review will be as well.

For those funds for which the Barnett formula is applicable the Barnett consequential will go direct to the Scottish Government, and in the usual way they will be able to do exactly what they want with them. They will not have to spend them on towns at all. Just like the Brexit money, they will be able to spend it on something completely different if that is what they choose to do. However, there will be part of the funds that will apply across the UK and the details of how that operates are currently still being looked at.

Q77 **Deidre Brock:** There was a suggestion that local authorities in Scotland will be able to bypass the Scottish Government and bid directly into that fund. Are you saying for the section that is UK wide that will still be able to occur?

David Mundell: All the details of the fund have not been announced. I am disappointed we have not been able to get to that point, and I think it is probably unlikely it will be before there is a change of Prime Minister. The comfort I wanted to give you was in relation to the funding package. Those parts of the funding package that are Barnettised will be Barnettised.

Q78 **Deidre Brock:** Chair, I have a very quick question to ask with regard to a question I asked in February about records. It might be more appropriate for Ms McGregor to answer at some later stage.

It was about records that you have, Secretary of State, which have reached the time limit for transfer to the National Archives. The response suggested that the Office of the Secretary of State was created in 1999, which will come as something of a surprise to some of your colleagues in the Lords, of course, who have been Secretaries of State in the past.

David Mundell: I think the Scotland Office was created in 1999.

Deidre Brock: Yes, but were there no records inherited from the Scottish



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Office? Could Ms McGregor perhaps clarify that, about what happened to the records held by the Scottish Office before 1999?

Gillian McGregor: We changed our name from the Scottish Office. In terms of paper records I really would have to come back to you. I am very happy to come back to you to let you know what has happened.

Deidre Brock: That will be great, thank you. I appreciate that.

Q79 **Ross Thomson:** On City Deals, we signed the Aberdeen one four years ago.

David Mundell: Yes.

Ross Thomson: As part of that the Scottish Government committed to rail improvements between Aberdeen and the Central Belt. After four years, there has not been a peep or a penny on that. Is there anything at all that your office can do to help maybe chivvy on the Scottish Government or make contact? As it is part of the City Deal package, we might want to see some progress on that particular issue and if you can help that would be great.

David Mundell: I will be very happy to do that because I know it exercises Sir Ian Wood very considerably.

Ross Thomson: It does. Thank you.

Q80 **Chair:** Secretary of State, before you go, we are all hoping this will not be your last appearance before this Committee. If perhaps under that very sad circumstance it was, what advice would you give to your successor in this post given your experience in the job?

David Mundell: Always take the Scottish Affairs Select Committee very seriously.

Chair: We knew we would get a good conclusion to this particular session. Secretary of State, as always, thank you very much for affably answering all our questions again. Thank you.