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Chair of the Scottish Affairs Committee
House of Commons
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13 July 2022

Dear Pete,

EVIDENCE SESSION CONCERNING SCOTLAND'S FISCAL OUTLOOK

1. Thank you for the opportunity to appear in front of the Scottish Affairs Committee on 27 June for its evidence session concerning Scotland's Fiscal Outlook.
2. I undertook to provide some additional information on topics discussed during the session, including: i) the Scottish Government's capital allocation in 2022-23; ii) actions taken by the Scottish Government to promote the R100 Scottish Broadband Voucher Scheme; and iii) funding for a feasibility study relating to the borders railway.

The Scottish Government's capital allocation for the year 2022-23

3. The Scottish Government's total Capital Departmental Expenditure Limit (CDEL) budget for 2022-23 is £5.824 billion. This comprises £5.112 billion for the UK Capital grant, £100 million for city deals and £44 million from the fossil fuel levy. The remaining £568 million is a combination of capital borrowing of £450 million and £118 million of carry forward. The planned carry forward represents the management of funding for multi-year infrastructure projects across the financial year end. In addition, £527 million of Financial Transactions have been provided, taking the total 2022-23 capital budget to £6.351 billion.
4. The 2022-23 capital budget is also affected by the impact arising from a change to a government mechanism through the introduction of IFRS 16, which scores the capital value
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of new leases, and is supported by a budget adjustment of £1.602 billion. Adding this gives a total figure of over £7 billion, including Financial Transactions. However, as this is an adjustment reflecting a change in accounting practice, it does not provide the Scottish Government with any additional spending capacity, and it cannot be compared with previous budget allocations.

5. If we strip out this accounting adjustment of £1.602 billion for 2022-23, and then compare the balance with the 2021-22 capital budget, the 2022-23 capital budget has increased by £273 million from £6.078 billion to £6.351 billion. However, this actually represents a significant cut by the UK Government in the capital grant allocated to Scotland. It has decreased from £5.52 billion in 2021-22, to £5.26 billion in 2022-23, which equates to a real terms cut of 9.7%. The increase is wholly due to the increased capital borrowing and other capital funding which rose from £150 million in 2021-22 to £568 million in 2022-23, as well as the increase in Financial Transactions from £408 million to £527 million.

R100 Scottish Broadband Voucher Scheme (R100 SBVS)

6. Despite responsibility for telecommunications being reserved to the UK Government, we are making substantial investments in Scotland's digital infrastructure. Without the previous and ongoing interventions of the Scottish Government, we would not have achieved the coverage of fibre broadband that Scotland currently benefits from and on which we continue to build.

7. Through a combination of the R100 contracts, our R100 Scottish Broadband Voucher Scheme (SBVS) and commercial coverage we delivered our commitment to ensure 100% superfast broadband access by the end of 2021.

8. For those premises not expected to receive a connection through the R100 contracts or commercial investment, the R100 Scottish Broadband Voucher Scheme voucher subsidy offers up to £5,000 to obtain a superfast broadband connection. A £400 interim voucher was also available until 31 March 2022 to those whose build would be delivered after December 2021.

9. Our R100 Scottish Broadband Voucher Scheme (SBVS) is the most generous superfast broadband voucher scheme anywhere in the UK. It is a demand-led scheme, meaning it is ultimately a decision for property owners whether or not to secure a superfast connection via this route.

10. The Scottish Government has carried out regular promotion of the R100 SBVS online and across social media platforms. The website (www.scotlandsuperfast.com) is one of the main platforms for publicising the R100 programme, of which the R100 SBVS is a key component part. However we have also used more traditional means of promoting the voucher scheme. R100 SBVS has received extensive coverage and reach across print media including both national and local press. In addition, we have publicised through continued stakeholder engagement activity across Scotland This includes regular dialogue with local authority and enterprise agency partners to support and collaborate on local activity which is undertaken to publicise the scheme to members of the public and SBVS registered (and potential) suppliers.

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11. Despite extending access to the interim voucher (£400) by three months, supported by extensive advertisement across local, national and social media, there was no tangible increase in the number of enquiries or applications.
12. As a consequence, we did not deem it necessary to extend the availability of the interim voucher further.
13. Take-up of vouchers through the R100 SBVS compares relatively favourably with that of other demand-led interventions available in Scotland. For example, Ofcom's Connected Nations report for 2021 showed that just 288 connections across Scotland have been delivered through the UK Government's Universal Service Obligation – less than 1% of all USO-eligible properties in Scotland.
14. There is a real opportunity to build on the R100 contracts, however this will require UK Government to be flexible in their approach to Project Gigabit in Scotland and to deliver significantly faster and more substantial actual investment in the next few years. We remain concerned that there is a lack of clarity on what annual investment is committed to by the UK Government, at the over-reliance on commercial investment which will not deliver for Scotland's remote rural and island communities and the lack of certainty that Scotland will receive a full and fair allocation which reflects not only our population share, but our topological and geographical challenge in delivering future proofed digital connectivity to areas which arguably have the most to benefit from such infrastructure.

Borders Railway

15. The Borderlands Deal contains a joint commitment from the Scottish and UK Governments to provide up to £5 million each to develop a shared understanding of the benefits and challenges of extending the Borders Railway.
16. Scottish Government officials are now working with the Borderlands partners and the UK Government to implement that commitment. We currently await the outcome of UK Government internal governance procedures that they are required to adhere to before they are able to advise Borderlands partners on next steps. Thereafter we will engage with the UK Government to align our advice to Partners on business case requirements which the Partners can then progress.
17. Given this is a joint commitment it is important that we provide advice aligned to meet the requirements of both Governments. The £5 million we have allocated for work to assess the benefits and challenges of extending the Borders Railway is ring fenced for deal activity subject to proposals satisfying the usual business case and growth deal governance processes.
18. We stand ready to provide that support to the Borderlands partners to enable them to undertake the necessary activity to make their case. We are unable to progress matters further until the UK Government is similarly ready. The delay in moving matters forward is of course frustrating for the Borderlands partners and we hope that progress can be made soon, once the UK Government has undertaken its exercise on internal procedures.

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19. I hope that the committee finds this response helpful, and would be happy to provide further clarification if required.

Yours sincerely



KATE FORBES

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