An Leas-phrìomh Mhinistear agus Ath-shlànachadh Cobhid
Deputy First Minister and Cabinet Secretary for Covid Recovery
John Swinney MSP

Scottish Government
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Mr Clive Betts MP
Chair
Levelling Up, Housing and Communities
Committee

13 December 2022

Dear Clive,

Thank you for inviting me to provide evidence during the Levelling Up, Housing and Communities Committee's inquiry into the UK Government's Levelling Up Agenda on 28 November 2022.

I would like to take this opportunity to clarify and highlight some further points:

Reference to the Levelling Up Fund was first made at the Autumn Spending Review in 2020 which noted the Fund would be worth £4 billion and solely for England. Scotland expected to receive £400m in Barnett consequentials from this Fund which would have enabled us to deploy the funding in ways that support the ambitions of our stakeholders. The Scottish Government learned one week prior to the Spring 2021 Budget that the UK Government planned to increase the value of the Fund to £4.8 billion and would deliver it on a UK basis, bypassing devolved administrations and not generating consequential funding. There was no engagement with Scottish Government or Ministers regarding the impacts of this decision, and very little meaningful discussion during the subsequent development of this Fund.

It is vital to note that it is the UK Shared Prosperity Fund (UKSPF), not the Levelling Up Fund, which is the single replacement for the lost EU Structural and Investment Funds (ESIF). I am sure you have seen the Scottish Government's plans for how to replace ESIF in Scotland, set out in the Bell-Bachtler Report. Following extensive consultation with Scotland's stakeholders and in partnership with a Steering Group of experts, we published our proposals in November 2020. Had the UK Shared Prosperity Fund been routed directly through the Scottish Parliament, in line with devolved competence, this Government would have ensured the Fund was deployed in full partnership with Scotland's stakeholders. Plans would have seen much of the design, delivery and control of monies decentralised to our regional and local stakeholders. In directing the UKSPF through local authorities the UK

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Government imitates our regional delivery model to an extent however it fails to acknowledge the many other stakeholders involved.

The proposals also clearly set out calculations for the quantum Scotland should expect to receive in order to adequately replace the lost EU funds. Over £630 million was committed to projects in Scotland from the 2014 – 20 ESIF programmes and, together with funding for the LEADER and European Territorial Cooperation Programmes, it was calculated that £1.283 billion, or £183 million per year for 7 years, would be an accurate replacement value. I recognise these are baseline assumptions however the allocation to Scotland of just £212 million over a 3-year period falls far short of a comparable replacement.

I trust this information is of help.

I wish you well with the remainder of your Inquiry and look forward to learning the results in due course.

JOHN SWINNEY

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