



Pete Wishart MP
Chair of Scottish Affairs Committee
House of Commons
London
SW1A 0AA

11 March 2024

Dear Pete,

Thank you for your letter of 19 February 2024, where you requested I clarify on two points around Scotland's Capital Grant.

To clarify both of your points, The Scottish Government's Capital DEL budget has decreased in real terms from 2022-23 to 2024-25 however it's important to note that the Scottish Government Capital DEL budget is growing over the Parliament, 1.9% a year on average.

This is in part due to the impact of the introduction of International Financial Reporting Standard (IFRS) 16, where the UK Government undertook a classification exercise following Spending Review 2021 to reflect this new standard. All departmental and devolved administration budgets now take into account the IFRS 16 standard. As a result of the restating of budgets, comparisons between 2022-23 to 2024-25 become difficult. In addition to this, it can also be partly explained by the profile of funding for UK Government departments at Spending Review 2021. The Barnett formula has continued to apply in the usual way and detailed funding questions, including the classification changes should be directed to the Chief Secretary to the Treasury.

I would like to re-emphasise to the Member of Parliament for Kilmaronock and Loudon, Alan Brown MP, and the rest of the Scottish Affairs Committee that the Scottish Government is well funded. As per my previous letter, the Scottish Government receives around 25% more per person than equivalent UK Government spending in other parts of the UK. That translates into £8.5 billion more per year on average. The Fiscal Framework which was jointly agreed by both Governments enables the Scottish Government to switch funding from revenue to capital budgets if it wishes to do so.

I would also request that the research referenced, provided by the House of Commons Committee Office Scrutiny Unit, is forwarded on in its entirety to both myself and the Chief Secretary to the Treasury.

Yours sincerely,


**THE RT HON. ALISTER JACK MP
SECRETARY OF STATE FOR SCOTLAND**



Scottish Affairs Committee

Rt Hon. Alister Jack MP
Secretary of State for Scotland
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19 February 2024

Dear Alister,

Thank you for your letter of 19 January, providing further information after your appearance in front of the Committee in December.

During the evidence session Alan Brown requested further details regarding the basis for the reduction in the Scotland Office's capital DEL grant from £6.2bn in 2022-23 to a planned £5.6bn outturn for 2024-25. Your letter notes that Scotland's capital budget is lower than its resource budget to reflect the needs of public spending demands. You also highlight that the Scottish Government has the ability to divert resource spending to capital infrastructure investment if it wishes to do so, and that the Scottish Government can borrow to enhance Scotland's capital investment. However, other than stating that the capital and resource budgets are included within Spending Review settlements, your letter does not provide further clarity on why Scotland's capital grant has experienced this reduction, nor does it clarify whether this constitutes a real-terms cut.

I would be grateful if you could provide further clarification on these two points by Friday 8 March.

Yours sincerely

Pete Wishart MP
Chair, Scottish Affairs Committee



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