



Patricia Ferguson MP  
Chair, Scottish Affairs Committee

19 March 2026

Dear Patricia,

Thank you for your letter of 5 March 2026 regarding the priorities and the work of the Scotland Office.

I can confirm my principal priorities for the Scotland Office remain the same as those set out in your letter, and I am glad to have this opportunity to update you and the members of the Scottish Affairs Committee on some of the key progress milestones that have been made against these since my appearance before the Committee on 5 November 2025.

### **Maximising opportunities in Scotland's key economic sectors**

As part of the Modern Industrial Strategy Scotland, the UK Government confirmed an AI Growth Zone in Lanarkshire on 29 January 2026 – backed by £5 million of UK Government investment in local AI adoption and skills, which will support more than 3,400 jobs and help drive economic growth. This AI Growth Zone attracts around £8.2 billion in private investment that will drive economic renewal by bringing new industries, good jobs, and fresh opportunities to North Lanarkshire, while also boosting the economy of the whole of central Scotland.

Scotland's defence industry is a key driver for growth in Scotland's economy, as highlighted in our Industrial Strategy. Scottish defence expertise and capabilities is beating competition from countries all over the world, boosting order books and securing thousands of jobs at home for years to come. Following the signing of the £10 billion contract to build ships for the Norwegian Navy on the Clyde, we have now also signed a new strategic partnership with Indonesia, including a £4 billion maritime deal, securing 1,000 jobs across the UK, the majority of which are at Babcock's Rosyth shipyard, sustained more than 800 jobs in Scotland through a deal worth up to £8 billion to supply Turkey with 20 Typhoon fighter jets, and secured a £453 million contract for the manufacturing of Typhoon radar systems.

The Scotland Office has worked closely with the Ministry of Defence, local industry, and educational partners to develop a £50 million Defence Growth Deal for Scotland, which was announced on 12 March. This will be targeted to develop Scotland's defence industrial base - in particular by helping to provide the vital skills required by industry. The first tranche of funding includes £10 million to support two new defence innovation centres in Rosyth and Helensburgh, and up to £10 million funding for the

establishment of Defence Technical Excellence Colleges. Should the Scottish Government also commit similar funding, we hope to establish two colleges, one in the West and one in the East of Scotland, to support Scotland's existing defence clusters.

In addition, I was pleased to sign the Memorandum of Understanding with the Scottish Government for the Forth Green Freeport on 15 January 2026, unlocking £25 million in UK Government seed capital funding.

### **Managing the risks of economic shocks across Scottish industry**

The Scotland Office is working at pace with the Department for Energy Security and Net Zero and Scottish Government as part of the Grangemouth Investor Taskforce to identify projects to help secure Grangemouth's long-term industrial future, including for the £200 million from National Wealth Fund announced in February last year.

At the Autumn Budget, the Chancellor announced £14.5m UK Government investment to help transform Grangemouth into a low-carbon tech hub and deliver the jobs of the future. Subsequently, on 11 December, the UK Government announced it would invest £1.5 million from this fund to support a Scottish biotech company, MiAlgae, to develop an innovative new project on the Grangemouth site using byproducts from whisky distillation. This project will start creating new jobs on the site from this year, supporting around 310 jobs over the next five years and delivering an additional £53 million into the Scottish economy.

Furthermore, I am pleased to confirm that, as part of our Grangemouth training guarantee, around 300 workers have now received 1:1 skills support from Forth Valley College to support their transition into new, highly skilled jobs.

In addition to our response to the closure of the oil refinery, the UK Government has also taken action to secure the production of ethylene at Grangemouth. In December, we announced a package of support worth over £120 million, as part of a £150 million joint investment with INEOS to protect vital chemical production and 500 jobs at Grangemouth, plus hundreds more in the supply chain.

As part of the deal, INEOS have committed to operating the plant over the next five years, and to protect core jobs required to operate the plant. This package will help secure the site's operations and contribute toward improving energy efficiencies, reducing carbon emissions, and increasing productivity. Ethylene is essential for our clean water, medical-grade plastics, and many of our advanced manufacturers – including those connected to Industrial Strategy sectors like life sciences and aerospace.

Since my appearance before the Committee, I have also been closely involved in the UK Government's response to the closure of another ethylene plant, at Mossmorran in Fife. Unlike the owners of the Grangemouth plant, the owners of the Fife plant, ExxonMobil, were unfortunately unable to offer a pathway to profitability, which made it impossible for the UK Government to intervene in the same manner in which it did at Grangemouth. Since the company confirmed its intentions to close the plant, I welcome the establishment by Fife Council of a Task Force to drive forward work to support workers and the wider community in the short and long term, which officials

and ministers from UK Government departments are supporting. Given the plant only closed last month, discussions on next steps are still at an early stage. Officials from my department, the Department for Business and Trade, and the Department for Work and Pensions are working closely with their counterparts from Fife Council, the Scottish Government, and its agencies to establish the best course of action for the workers and the future of the site.

My officials and I of course take a close interest in other potential risks to jobs and businesses in Scotland, and as part of this have actively engaged with Alexander Dennis, Petrofac, Dalzell Steel, and others.

### **Supporting skills in existing and future energy supply chains**

The UK Government believes strongly that the North East of Scotland is, and will remain, a critical hub for energy production, and the highly-skilled workforce is central to our net-zero ambitions. We remain resolute in our commitment to achieving energy security; supporting the industry through a fair, orderly and prosperous energy transition, and delivering a secure, long-term economic future for the communities that have powered the UK for decades.

After a period of frequent tax changes, we recognised the importance of giving the oil and gas industry long-term certainty and predictability on taxation. The Autumn Budget set a clear path for the Energy Profits Levy (EPL) to end by 31 March 2030 at the latest, or earlier if oil and gas prices fall below the threshold prices set by the EPL's price floor.

The Autumn Budget also announced details of a new and permanent windfall tax mechanism which will replace the EPL when it ends, the Oil and Gas Price Mechanism (OGPM). The OGPM will form an integral part of the permanent fiscal regime to deliver a fair return to the UK public when oil and gas prices are unusually high.

Furthermore, the North Sea Future Plan, announced alongside the Autumn Budget, sets out the action we are taking to support ongoing investment and continued opportunities in oil and gas in the North Sea. On licensing, we are introducing 'Transitional Energy Certificates', which will give holders exclusivity over a specific area of the seabed adjacent to existing licenced blocks, and we have announced a new North Sea Jobs Service offering end-to-end career transition support for oil and gas workers. This service will build on the expansion of the Energy Skills Passport to new roles and sectors, and up to £20 million funding for the Transition Training Fund from the UK and Scottish Governments.

At the same time, our clean energy mission is helping secure and create jobs now. For example, SSEN will create up to 17,500 jobs in Scotland, including 8,400 in the north of Scotland, and upgrades to the Scottish Power Transmission Network will create 1,400 new jobs directly. In January, two Scottish offshore wind energy projects, Pentland and Berwick Bank, were successful at Allocation Round 7 of the UK Government's Contracts for Difference. Last year the UK Government also committed £200 million to Acorn carbon capture and storage in Northeast Scotland, which we want to create thousands more jobs. I want as many of these jobs as possible to benefit existing energy sector workers, as well as the next generation coming through.

## **Delivering Local Growth programmes**

In September, the UK Government confirmed that Phase 2 of the Pride in Place Programme will see up to £280 million, shared among 14 neighbourhoods in 12 Scottish local authorities, over 10 years to precisely targeted areas which have both the highest deprivation levels and weakest social infrastructure, and which can benefit most from a wide range of regeneration projects.

On 12 December, the Scotland Office announced these 14 neighbourhoods following a process which invited evidence from local authorities, eligible MPs and constituency MSPs, the Scottish Government, and wider community organisations. A Neighbourhood Board for each area will now be set up to bring together residents, local businesses, grassroots campaigners, workplace representatives, faith, and community leaders, to give local people the power to identify projects and decide how the funding is spent. Local authorities and MPs in these neighbourhoods are currently working with their communities, supported by MHCLG, to pick the right independent chair who will take the reins of their Neighbourhood Board, lead on engagement with the community, and drive forward the changes they want to see.

Alongside these 14 new neighbourhoods, the UK Government is also investing £200 million in ten Scottish towns as part of Phase 1 of the Pride in Place Programme. In recent months, we have seen how local people in these towns are already having their say over how to improve their area. For example, in Elgin more than 1,000 ideas have already been submitted, including tackling empty shops, revamping the town shopping centre. Meanwhile, in Peterhead people are ramping up CCTV in the town centre to tackle anti-social behaviour and investing in indoor sports and leisure facilities.

On top of this, we have also made £12 million available through the Pride in Place Impact Fund (PIPIF) for eight Scottish local authorities to make immediate improvements - bringing our total investment in Pride in Place in Scottish communities to almost half a billion pounds. These local authorities have now outlined how they intend to use this funding in the coming months. For example, Inverclyde intends to make improvements to Port Glasgow town centre, West Dunbartonshire is upgrading local playparks and sports facilities, and Dundee City Council is planning a major investment in Camperdown Park.

On 8 January, the Scotland Office launched its new £140 million Local Growth Fund for Scotland, targeting five Scottish regions that contain the areas with the lowest living standards. The programme will fund regional partnership working and deliver projects which will drive economic growth - including infrastructure, business support, and skills and employability. We will set out further details on the delivery and governance arrangements shortly, and expect to have regional investment plans agreed with local partners by this summer.

At the Autumn Budget, the Chancellor announced that the UK Government's Growth Mission Fund will (subject to business case) invest up to £20 million to upgrade Inchgreen Dry Dock, and invest up to £20 million in the redevelopment of Kirkcaldy town centre and seafront. The Scotland Office will work with HM Treasury and the

Department for Business and Trade to ensure these investments deliver the maximum economic impact for their areas.

The Scotland Office has also been leading work to provide government support to the Port of Rosyth. This will facilitate the introduction of a new ferry service from Scotland direct to Europe, creating jobs and stimulating economic growth. This could see a new service sailing 3 times a week carrying freight and passengers. This week the UK Government announced that up to £3 million has been ringfenced from the Growth Mission Fund to support vital infrastructure work at the port, subject to the completion of the full business case.

This means that across the four new programmes outlined above (Phase 2 of Pride in Place, Pride in Place Impact Fund, Local Growth Fund, and Growth Mission Fund) Scotland will be better off over the next 3 years than it was under the UK Shared Prosperity Fund in 2025/26.

The City Region and Growth Deal programme, funded by over £1.5 billion from the UK Government, continues to deliver significant milestones. On 9 December, the groundbreaking of the Ayrshire Innovation Park took place. The project, which is supported by £13 million UK Government investment, will meet the demand for new industrial space within East Ayrshire and the Ayrshire Region. In January, Inverness Castle was officially opened after a £47 million upgrade to create a new visitor experience. In March, the Glasgow City Region Deal approved £46.77 million for the Westerhill Development Road and a new Civic Space in Bishopbriggs town centre. Construction will also shortly commence on the Mountain Bike Innovation Centre in Innerleithen, supported by £15.5 million from the UK Government.

Most recently, following the devastating fire on Union Street in Glasgow city centre, the Scotland Office has been working with the Scottish Government and Glasgow City Council to look at how the UK Government investments in local growth can support plans to rebuild and regenerate the area.

### **Brand Scotland**

Since November, the Brand Scotland Programme has delivered a number of activities to continue to promote Scotland's export potential globally, and opportunities for inward investment.

In January, I hosted an Evening Burns Night Reception on behalf of the Prime Minister at Number 10 Downing Street. The event was an opportunity to celebrate and showcase Scotland's achievements and global influence. It featured a performance by students from the Royal Conservatoire of Scotland, and was attended by community award winners, as well as business, political, and cultural leaders from across Scotland.

In February, I visited Australia, New Zealand, and Singapore, working to strengthen our defence partnerships and increase export opportunities for the Scottish defence industry. I was the first Cabinet Minister to visit New Zealand in this parliament, strengthening bilateral relationships with a key Five-Eyes partner. This visit included supporting a significant strategic multibillion export opportunity in New Zealand and

meeting with major investors in Australia and Singapore. Minister McNeill was in Barcelona in November, where she undertook a number of activities, including visiting a live Brand Scotland project, which was focused on introducing premium Scottish cheeses to Spain via national retail activations. One of the Scottish companies participating (Yester Farm Dairies) has since signed an agreement worth up to £200,000 with one of the leading supermarket brands in Spain.

The overseas network has continued to draw on the Brand Scotland programme to fund a range of activities. In Boston, Brand Scotland delivered a targeted roundtable on AI in relation to life sciences, bringing together representatives from Scotland's life sciences sector like Microplate DX, with New England based technology companies like Lila Sciences, and transatlantic venture capital firms such as Epidarex. This highlighted Scotland's thriving innovation ecosystem - defined by its deep talent pool and IP-generating research - as an ideal destination for R&D operations and investment scouting. In Baku, Brand Scotland supported an event centred around Burns night which brought together commercial contacts and the Scottish community. In Sofia, Brand Scotland supported a high-profile promotional event, hosted at the British Ambassador's Residence. The event brought together key Bulgarian importers, distributors, hospitality buyers, and media to engage directly with Scottish whisky brands and their representatives.

This month, Brand Scotland funding has been used to deliver a series of two-day workshops in Glasgow, Dundee, Edinburgh and Inverness, providing Scottish SMEs with practical support on the opportunities offered by the EU market, how to navigate trade barriers, and the support available from UKG and our overseas partners.

### **Scotland Office transformation programme**

You also asked for information on the scope, objectives, and progress of the transformation programme currently underway within the Scotland Office. As a government we have an ambitious agenda across the United Kingdom. The new Cabinet Secretary has clearly stated that this requires civil servants across departments to work collaboratively, at pace, and with flexibility. The Scotland Office is no exception. As a small department, it has an extensive remit to oversee, deliver, and progress for the benefit of people in Scotland.

My Director, Fiona Mettam, is implementing a work programme to ensure the office builds on its successes and identifies areas for modernisation and innovation. This work will ensure the Office is best positioned to support the delivery of Ministerial priorities, and to maximise impact by adopting different ways of working. This transformation will align with our department's strategic outcomes, which we will set out later this year.

### **Conclusions**

Since I provided oral evidence to the committee last November, the UK Government as a whole has continued to deliver real change for the people of Scotland, and the Scotland Office continues to play an integral role in supporting this delivery. This includes: improving the lives of 95,000 children in Scotland by ending the Two Child Limit; strengthening employment rights with protections against unfair dismissal and

fire and rehire, as well as day-one rights to paternity leave; helping with the cost of living by cutting household energy bills by an average of £150 annually; and, from April 2026, further raising the National Living Wage and Minimum Wage rates - benefitting around 150,000 of the lowest-paid Scots.

On top of the key milestones outlined in this letter, I also wish to highlight that the UK Government is providing additional funding to the Scottish Government on top of the real terms record settlement outlined at the Spending Review last summer. The Autumn Budget included an additional £820 million for the Scottish Government, followed by a further £921 million at the Spring Statement. This means that the UK Government is now providing the Scottish Government with more than £27 billion in additional funding over six years from 2024/25 to 2029/30, which it can invest into public services like the Scottish NHS, transport, or education.

Furthermore, this week the UK Government has responded swiftly to the global instability in oil prices and announced support for households with the costs of heating oil; this included £4.6 million for the Scottish Government to provide immediate, direct assistance to households in Scotland.

I look forward to answering questions from you and the Committee when I next provide oral evidence. I also thank the Committee for their ongoing, invaluable work scrutinising the issues that matter most to the people of Scotland.

Yours sincerely,

A handwritten signature in black ink, reading 'Douglas Alexander'. The signature is fluid and cursive, with the first name 'Douglas' and the last name 'Alexander' clearly distinguishable.

**THE RT HON DOUGLAS ALEXANDER MP  
SECRETARY OF STATE FOR SCOTLAND**



**Scottish Affairs  
Committee**

**Rt. Hon Mr Douglas Alexander  
Secretary of State for Scotland  
Scotland Office  
By email only**

5 March 2026

Dear Douglas,

Thank you for meeting with me recently as part of our regular engagement. As you know, the Committee's next scrutiny session on the work of the Scotland Office will take place in several months' time. Given that this is still some way off, I would be grateful if you could, in the meantime, provide the following information.

Firstly, when you gave evidence to the Committee in November, shortly after your appointment, you outlined three key priorities within your role:

- 1) working with Departments across Whitehall to maximise opportunities in key economic sectors;
- 2) managing the risks of economic shocks across Scottish industry; and
- 3) ensuring that fiscal and energy policies best support skills in existing and future supply chains.

The delivery of local growth programmes and the Brand Scotland programme were also mentioned as additional priorities. Could you confirm whether these remain your principal priorities and provide an update on any work undertaken in relation to them, including progress made to date?

Secondly, I would welcome further detail on the transformation programme currently underway within the Scotland Office. Any additional information you are able to share on its scope, objectives and progress would be particularly helpful.

I would be grateful for your response by Thursday 19 March.

Yours sincerely,

**Patricia Ferguson MP**  
Chair, Scottish Affairs Committee