

Rùnaire a' Chaibneit airson Ionmhas agus na h-
Eaconamaidh
Cabinet Secretary for Finance and Economy
Ceit Fhoirbheis BPA
Kate Forbes MSP



Scottish Government
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Pete Wishart MP
Scottish Affairs Select Committee Chair

By email: scotaffcom@parliament.uk

9 September 2021

Dear Pete,

Further to the evidence I provided at the Scottish Affairs Select Committee on 6 September 2021 and your subsequent request on 8 September for clarification on the Scottish Government contributions released to date, I can provide the following supplementary information.

Scottish Government manages all City and Growth Deal funding on behalf of both Governments. UK Government contributions are paid to Scottish Government annually as a ring fenced addition to the block grant, underpinned by a Memorandum of Understanding. Scottish Government then dispenses funding quarterly in arrears to each Deal's accountable body. These collective contributions are referred to as 'Deal' funding, recognising that this is a jointly funded and integrated programme between both Governments. Financial reporting is carried out on an individual Deal basis against the joint funding programme and not tracked with respect to separate Government contributions.

As noted during Committee, a total £650 million of combined Scottish and UK Government funds have been released to regional partners through the Growth and City Deal Programme as of the 30 June 2021. The breakdown of this funding is as follows:

- Scottish Government (City and Growth Deal) - £277.6 million
- Scottish Government (Side Package Investment) - £14.5 million
- UK Government (City and Growth Deal) - £357.9 million

UK Government have provided £114.3 million of City and Growth Deal funding to Scottish Government to cover the 2021/22 financial year period. Given this funding is provided quarterly in arrears to accountable bodies, £24.3 million of this allocation has been released to 30 June 2021 and incorporated in the UK Government breakdown noted above.

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I trust this supplementary information highlights the broader funding arrangements that have been developed to support the delivery of the City and Growth Deals programme. Notably Scottish Government also bear the financial risk with respect to any fluctuations in expected expenditure. UK Government funding is allocated on a flat funding profile basis and drawn down first. This has created additional financial pressure for Scottish Government to manage, particularly in response to programme delays as a consequence of the pandemic.

Whilst I appreciate the Committee's interest in understanding the breakdown of City and Growth Deals funding, the provision of a single, integrated funding stream for accountable bodies simplifies the financial arrangements for regional partners and enables Scottish Government to manage issues and pressures collectively.

Yours sincerely,



KATE FORBES

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From the Chair, Pete Wishart MP

Kate Forbes MSP
Cabinet Secretary for Finance and the Economy
Scottish Government

08 September 2021

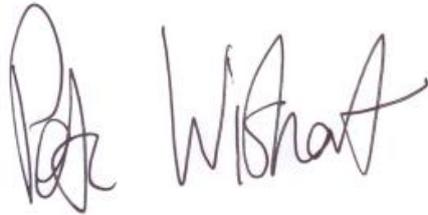
Dear Kate,

Thank you for giving evidence to the Scottish Affairs Committee on Monday 06 September on the progress of City Region and Growth Deals in Scotland and for your subsequent letter of Tuesday 07 September.

At Q46 of the [transcript of the evidence session](#), the Scottish Government stated that £650 million of combined UK-Scottish Government funds had been released so far. We would be grateful if you could let us know the exact contribution made by the Scottish Government alone.

We look forward to your reply.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Pete Wishart'. The signature is written in a cursive style with a large initial 'P'.

Pete Wishart MP
Chair, Scottish Affairs Committee



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Pete Wishart MP
Scottish Affairs Select Committee Chair

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7 September 2021

Dear Pete,

Further to the meeting of the Scottish Affairs Select Committee on 6 September 2021, I thought it would be worth addressing some of the issues which were discussed at that time in relation to the development and funding of projects within Scotland.

Funding streams to replace the European Structural Funds

I wish to put on record that the UK Government has refused to engage the Scottish Government in any meaningful way in the development of funds designed to replace the European Structural Funds, and indeed the level of engagement stands in sharp contrast to the close working relationship that the Scottish Government had with the European Commission on the development of the Structural Fund Programmes.

The recent UK Internal Market Act has given UK Government Ministers the powers and authority to spend in areas of devolved competence, mirroring the purposes of previous EU funding streams. However we contend that spending powers cannot be sensibly exercised in isolation from the policy development and delivery that the spending supports.

Increased public funding for Scotland and Scottish stakeholders is always welcomed. However, increasing the number of funds available and making spending decisions based on a UK Government, rather than a Scottish, agenda, only adds to the complexity of the funding landscape, and creates a confused, incoherent policy framework and financial inefficiencies. This funding would be better routed directly through the Scottish Government in line with devolved competence and the Statement on Funding Policy, to ensure appropriate democratic accountability, effective decision making, and good government.

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My colleague Richard Lochhead wrote to the Minister of State for Housing, Communities and Local Government setting out a detailed set of questions in relation to these funds and the arrangements going forward, but while he has just today (Tuesday 7 September) received a response, we appear to be making little headway in having our substantive concerns addressed about these funds.

Union Connectivity Review

I will turn now to the UK Government's Union Connectivity Review. My response to Mr Lamont was queried by Mr Ross. The Committee's transcript confirms that I said,

"I think the contradiction is actually in the question, because the irony of this whole situation is that having been completely and intentionally excluded from anything to do with the Union connectivity review, we then get the call to say, "Let's rubber-stamp the projects that the UK Government have chosen", and also in the same breath get criticised for not having been more involved with a process that intentionally and specifically excluded the Scottish Government."

I can confirm that the Union Connectivity Review was established in the summer of 2020 by the UK Government without discussion and consultation with Scotland, Wales and Northern Ireland. We were not involved in developing the remit, we were not involved in discussion over who should lead the review, and the roles and responsibilities of devolved nations were not acknowledged. A joint letter was sent by the devolved nations at the time (September 2020) to UK Ministers expressing our significant concerns. The letter confirmed that there had been no consultation in advance of the publication of the Review, and also requested that the Review engage meaningfully with devolved nations. We also stated that the UK Government should honour its commitments to infrastructure investment across the UK by ensuring that adequate new resource be made available through relevant budgets, to allow decisions on infrastructure priorities to be taken by each devolved government. All devolved nations have robust processes for identifying investment priorities, each setting our own transport strategies and priorities for transport in our devolved nations and further studies like this one are not required. At no point have these concerns been addressed or resolved, despite good examples of joint working in City and Region Growth Deals.

Further ministerial engagement occurred in March 2021. On the afternoon before publication of the Union Connectivity Review, the Secretary of State spoke to Mr Matheson, who was then the Cabinet Secretary for Transport, Infrastructure and Connectivity, about the interim report without sharing the content of the interim report in advance. The Interim UCR Report was shared with the Scottish Government only a matter of hours before publication.

The Interim Report listed a number of routes requiring investment, but made no acknowledgment of work that the Scottish Government is already undertaking on identifying transport investment priorities on these routes, such as the A75.

The Review excludes the work the Scottish Government already does to identify infrastructure investment in an evidence based, cross portfolio way in line with appropriate use of public finances and good investment decision making. It also excludes reference to the Scottish Government's Infrastructure Investment Plan or Strategic Transport Projects Review (STPR2).

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In publishing the Interim report, the UK Government announced that £20 million was made available to progress priorities recommended by the report such as A75, stating that “the UK government will work closely with the Scottish Government on any feasibility study on the A75”. Again, this announcement failed to acknowledge that Transport Scotland was already undertaking appraisal work for enhancements to A75 through STPR2. We further understand that this £20 million is a UK wide pot of money and it is not clear what share Scotland might expect to receive.

Following this debacle Mr Matheson wrote on 24 March, setting out the reasons why the Scottish Government had concerns about the premise of the Review; the way in which it was established; the lack of consideration given to the role of the devolved administrations in relation to transport investment; and the ways in which the UK Government could use its role to improve transport connectivity to Scotland, without ignoring devolved powers or excluding Scottish Ministers or public bodies from any meaningful engagement.

[Cabinet Secretary writes to UK Transport Minister](#)

This position remains unchanged, we have work underway through the Strategic Transport Projects Review which will make recommendations to Scottish Ministers for future investment for the next 20 years. Our processes for identifying transport investment priorities are not undertaken in isolation and are in place to allow assessment of cross-government spending priorities across a range of portfolios. Examples of this are the Infrastructure Investment Plan and the approach to Comprehensive Spending Reviews. As we apparently need to keep saying, funding would be better routed directly through the Scottish Government in line with devolved competence and the Statement on Funding Policy, to ensure appropriate democratic accountability, effective decision making, and good government.

The way in which the four nations of the UK work together to address transport issues and improve connectivity must be done in a way which is collaborative and sympathetic to the needs and objectives of the individual countries. The Scottish Government stands ready to engage in a relationship built on these values but we cannot make any progress until and unless the UK Government is prepared to recognise and respect that transport is devolved to Holyrood and desist from engaging in a power grab which has seen them promise much but deliver little in reality.

Yours sincerely,



KATE FORBES

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