



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Kate Forbes MSP
Cabinet Secretary for Finance
Scottish Government, St Andrew's House
Edinburgh
EH1 3DG

15 January 2021

Dear Kate,

2021-22 FURTHER FUNDING ASSURANCES

1. Thank you for your letter to the Chancellor on 12 January seeking further funding assurances in 2021-22. I am replying as the minister responsible for public spending.
2. As the Chancellor said at the outset of this crisis the UK Government will do whatever it takes to support people and businesses in every part of the Union.
3. While I recognise the devolved Scottish Government has an important role to play, the overwhelming majority of Covid support to businesses and people across the UK is and will continue to be delivered through the UK Treasury. It is disappointing that your letter and your public comments generally fail to mention the depth of support that has been available and continues to be provided.
4. In addition to the £8.6 billion of additional funding guaranteed to the Scottish Government this year, we have extended the UK Government's furlough scheme to the end of April, paying 80 per cent of wages for people in Scotland. The self-employed support scheme has been extended to the end of April, with the UK Government having already paid out over £817 million to 162,000 people in Scotland.
5. Together these schemes have supported more than 930,000 jobs in Scotland and will continue to support Scottish jobs throughout the winter. They continue to be provided with incredible speed thanks to the ingenuity and expertise of HMRC. More than 79,000 Scottish businesses have also benefitted from £2.9 billion UK Government Bounce Back and Coronavirus Business Interruption loans.
6. The UK Government has also moved quickly to buy promising vaccines, securing access to 367 million doses from 7 vaccine developers, with 4 different vaccine types to



be distributed across the whole of the UK. The UK was also the first to authorise and provide the Pfizer/BioNTech and Oxford/AstraZeneca vaccines, enabling the critical rollout of vaccines to begin across the UK.

7. As you know, British military personnel are helping to run testing facilities and support devolved government planning. This deployment reinforces the commitment of the UK Government to defending and supporting citizens in Scotland, as does the recent announcement that 1,700 jobs in Scotland will be sustained for two decades through investment in the Type 26 shipbuilding programme, alongside RAF investments in Moray and expanded operations at Faslane.

8. The UK Government's support continues in 2021-22 with Spending Review 2020 confirming an additional £2.4 billion for the Scottish Government through the Barnett formula, including £1.3 billion in relation to Covid-19. This takes the total of UK Government Barnett-based funding to the Scottish Government in 2021-22 to over £38 billion. This equates to around £129 per head for every £100 per head the UK Government spends in England on matters devolved in Scotland.

9. We will take decisions on spending from the UK Reserve during 2021-22, just as you will with your own Reserve, but the scale of the UK Reserve reflects the likely costs associated with continued testing and vaccine procurement which the UK Government is funding UK-wide. It is therefore important that we use the UK Reserve for funding pressures as they arise.

10. As you are aware, the Scottish Government has additional tools available to support spending and budget management including devolved tax policy, borrowing and use of the Scotland Reserve as outlined in the jointly agreed fiscal framework.

11. The Spending Review 2020 set out a range of further areas where the UK Government is providing support across the whole of the UK. For example, Scotland will benefit from UK Government investment to improve connectivity and productivity, including the Gigabit and Shared Rural Network programmes, support for new green industries and a £14.6 billion UK-wide research and development fund.



12. In addition, Freeports will unleash the potential of our ports by attracting new businesses, jobs and investment to regenerate communities across Scotland. There has been significant interest from ports across Scotland who are keen to reap the benefits of Freeports. We are keen to ensure a suitable allocation process is launched as soon as possible and we stand ready to work with you to ensure Scotland is not left behind.

13. We also launched a new Levelling Up Fund worth £4bn for England that will attract up to £800m for Scotland, Wales and Northern Ireland. This will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. We expect to publish a prospectus soon.

14. The UK Shared Prosperity Fund will help to level up and create opportunity across the UK in places most in need. It will operate UK-wide, using the new financial assistance powers in the UK Internal Market Act. We will ramp up funding so that total domestic UK-wide funding will at least match EU receipts on average reaching around £1.5bn a year. We will confirm multi-year profiles at the next Spending Review.

15. The Scottish Government will also continue to receive some funding directly from the EU – investment from EU Structural Funds is increasing in Scotland in 2021-22 compared to this financial year. On top of this, to help local areas prepare over 2021-22 for introduction of the UKSPF, we will provide additional funding to support our communities to pilot programmes and new approaches. We will work closely with the Scottish Government on how best to use this to prepare for the introduction of the UKSPF and will provide detail on allocations for 2021-22 in a prospectus soon.

16. Given your decision to make your letter public we will do the same with this reply.

17. I am copying this letter to the Secretary of State for Scotland.

Best wishes,

A handwritten signature in black ink that reads 'Steve Barclay'.

RT HON STEVE BARCLAY MP