Dear Bruce,

A. COVID-19 IMPACT ON SCOTTISH PUBLIC FINANCES AND FISCAL FRAMEWORK

B. COMMITTEE RECOMMENDATIONS FOR THE TREASURY


2. The UK Government has ensured that its response to COVID-19 has been UK-wide. People and businesses in Scotland are therefore benefiting from a range of UK-wide measures including the CJRS, SEISS, CBILS and CLBILS schemes. In addition to this, the Scottish Government has been funded to provide additional support in devolved areas.

3. I will continue to work closely and constructively with the Scottish Government to ensure we deliver a joined-up response to COVID-19, including through the Finance Ministers’ Quadrilateral meeting.

4. As discussed with the Cabinet Secretary for Finance, I recognise the importance of funding certainty and I have been working closely with the devolved administrations to ensure they can respond quickly and effectively this year. I am pleased the collaborative approach has been welcomed.

5. As I am sure you will have seen, I have now provided a funding guarantee for all three devolved administrations in 2020-21. This guarantee means a minimum of £6.5 billion of additional resource funding for the Scottish Government on top of the funding for 2020-21 confirmed at the Spring Budget 2020.

6. We have applied the Barnett formula in the usual way so the first £3.0bn of this £6.5bn was provided at Main Estimates in May; this was uplifted to £3.8bn on the 8th
June; and further uplifted to £4.6bn at the Summer Economic Update. I have now guaranteed the Scottish Government will receive a further £1.9bn this year. This may well be provided through the Barnett formula (depending on the additional funding provided to UK government departments at Supplementary Estimates) but the guarantee means we will uplift Barnett funding to this level if necessary.

7. This is an unprecedented guarantee of additional in-year funding and, alongside existing financial flexibilities, I hope you agree it provides the Scottish Government with the necessary funding certainty to deliver its response to COVID-19 this year. I will however keep discussing the Scottish Government’s financial position with the Cabinet Secretary for Finance throughout the year.

8. Turning to the fiscal framework, the agreement carefully balanced Scottish Government flexibilities and the UK Government’s ability to manage the overall fiscal position. As I am sure you will understand, I am therefore reluctant to move away from the agreed arrangements in advance of the review. However, as demonstrated by the above guarantee, I am willing to consider the evidence and am keen to have an ongoing dialogue with the Cabinet Secretary for Finance. Alongside this my officials are working with their counterparts in the Scottish Government to establish the next steps on the review.

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

Best wishes,

[Signature]

RT HON STEVE BARCLAY MP