

Finance Directorate

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Jocelyn Davies
Chair of the Finance Committee
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Dear Ms Davies

Further to the Committee's meeting on 17 June at which my colleague Sean Neill and I gave evidence, I am writing to provide further comments about the Glasgow and Clyde Valley City Deal, as I undertook to do. These comments are attached at Annex A.

I also agreed to provide answers to questions which the Committee did not have time to consider during the oral evidence session. The questions and answers are set out below.

Q: What additional financial freedoms could be given by the UK Government to help with multi-year planning, beyond the current end of year flexibility arrangements?

A: The Scottish Government believes that the devolved administrations should have greater flexibility and choice over the proportion of revenue and capital spending within the annual control totals. It also believes that there should be greater flexibility and choice over the timing of spending, with the ability to carry forward or advance between years larger sums than the 0.6% of resource budgets and 1.5% of capital budgets permitted at present. In particular, there should be discretion over the timing of spending of own funds raised from devolved taxes. As regards capital spending, the Scottish Government supports a principles-based approach for capital borrowing, additional to CDEL, based on a prudential regime, guided by affordability and sustainability rather than fixed aggregate and annual limits.

Q: The Well-being of Future Generations (Wales) Act 2015 will set a policy framework that ensures the needs of the present are met without compromising the ability of future generations to meet their own needs. How can this principle be incorporated into devolved fiscal systems?

A: The Scottish Government operates a regime of constraining the forecast annual costs of revenue-funded infrastructure investment to 5% of TDEL in any year, with annual reporting of progress against this self-imposed limit. We also believe that a principles-based

approach to capital borrowing, based on a prudential regime, will embed sustainability into borrowing decisions and help avoid burdening future generations.
Beyond fiscal issues, the Scottish Government has set demanding emissions targets to combat climate change, with a view to reducing the impact on future generations of energy and other choices made now.

I hope that this is helpful.

Yours sincerely

ALISTAIR BROWN

How was the Scottish Government involved in the Glasgow and Clyde Valley City Deal announced in 2014? Can we learn lessons about the way it was done in Glasgow?

Since Glasgow & Clyde Valley City Deal was announced, the Scottish Government has been and will continue to be a full partner in supporting all three strands of the Deal, contributing £500 million over 20 years to the Infrastructure Investment Fund. The City Deal sets out a range of programmes and initiatives that seek to grow the economy of the Glasgow and Clyde Valley region. The £1 billion of Scottish Government and UK Government capital funding to deliver an infrastructure investment programme for the area will be complemented by a minimum of £130 million of investment from local authority partners across Glasgow and the Clyde Valley. The Glasgow and Clyde Valley City Deal includes tripartite implementation arrangements involving the UK Government, the Scottish Government and the Glasgow and Clyde Valley partners.

As Glasgow and Clyde Valley City Deal was the first deal of its kind in Scotland, the Scottish Government will use its experience to ensure maximum effectiveness and efficiency in future. We believe that a truly collaborative approach from the outset will achieve optimum results for City Regions, Scotland and the UK.

The Scottish Government has been clear that discussions to deliver the Glasgow Clyde Valley Deal and to progress further city deals must be collaborative, open and transparent.

In the future do you think devolved parliaments should have a say in the city deals? Should there be formal arrangements with devolved parliaments on this?

The Scottish Government believes that devolved administrations should be key partners in preparing for and implementing City Deals. Our experience is that they provide an opportunity to bring together partners to work coherently within a functional economic geography, and all relevant partners should therefore be included from as early a stage as possible. In our view it is therefore not only important but essential that devolved administrations play an equal role in all aspects of initiating and running City Deals.