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Rt Hon Stephen Barclay MP
Chief Secretary to the Treasury
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22 May 2020

Dear Stephen

Covid-19 funding

It was helpful to have an opportunity at this week's Finance Ministers' Quadrilateral to discuss Covid-19 funding arrangements and how we might proceed together in ways that learn from our experiences of recent weeks, as we all move into a new phase in our collective response to the outbreak. I know that our officials will be engaging on a number of the points we discussed, including the flexibilities paper. However, I wanted to write to follow up some of the key points I raised during the meeting.

First I would reiterate that I welcome the close and constructive dialogue that we are generally having at ministerial and officials level. I appreciate that best endeavours are being made to signal intent and to advise on funding implications, within a context of great uncertainty. Equally I am endeavouring to be transparent with the Scottish Parliament about updates to the funding position, and am consistently pressed by respective sectors and parties to act quickly in passing on Barnett consequentials to the areas in question. Therefore it is problematic when the position changes, and I must raise the example of the consequentials initially indicated (including in the House of Commons) in respect of the £617m extension to BEIS grants which we have now been advised will not materialise. In the intervening period we committed the advised £60m consequentials in good faith to our Covid business response, the consequence however being that we have now exacerbated our budget challenge. Similarly on last month's charities announcement we were initially advised £35m consequentials in respect of the charity support direct grant, but this was amended to £25m at a later date. I would therefore welcome your reassurance that on-going notifications of consequentials will be robust and reliable enough to act upon.

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More fundamentally, we discussed how the fiscal uncertainty the Devolved Administrations have to manage has now further increased. Accordingly I believe we need greater flexibility on capital-to-resource switches, reserve carry-over and resource borrowing, and the potential to unwind any negative consequential and tax and social security reconciliations over a longer time period. This would help maintain levels of public spending in all parts of the UK in the short term at such a critical time.

It will also be important to consider the longer-term impact of Covid-19 on the Scottish Budget via the operation of the Fiscal Framework. I hope you would agree that Scotland's public finances should not face undue risks on account of any differential impact of Covid-19 via the Fiscal Framework, and will commit to considering solutions to avoid this. I am also keeping in mind the potential case for additional funding where need is demonstrated, given the uneven way that Covid-19 is impacting. I would welcome your openness to continuing dialogue in that respect.

I look forward to your response and to our continuing constructive engagement as we work jointly to respond to Covid-19.



KATE FORBES

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