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8 March 2021

Dear Patrick, Mark,

Thank you for the constructive approach you have again taken to the budget discussions this year.

In our meetings I believe we have identified key areas where we can make progress and deliver a budget that works for people across Scotland.

The 2021-22 budget is rightly focused around responding to and recovering from the Covid-19 crisis. In order to support this we have provided record funding to the NHS of over £16 billion, supported local authorities by guaranteeing £11.6 billion and provided £3.2 billion towards delivery of a clean, efficient and connected transport network.

As you are aware, the Scottish Government is committed to tackling child poverty and the climate change emergency. My announcement of 16 February underlined this by confirming further investment of £100 million for anti-poverty measures in local authorities, £45 million for tackling fuel poverty and supporting energy efficiency and £50 million to support town centres and the creation of 20 minute neighbourhoods.

It is with our shared priorities and successful previous collaboration in mind that I turn to the current Budget Bill. As a result of our discussions, and in return for confirmation of your support at Stages 2 and 3 of the Budget Bill process and also in respect of the Local Government Finance Order and Non-Domestic Rates legislation for the coming year, I propose to make the following additions to the Scottish Budget for 2021-22.

Following our discussion we have agreed that the £100m I announced in February will be used to provide a Pandemic Support Payment to support people, in particular families, on low incomes. The Pandemic Support Payment will be made to two distinct groups.

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Firstly to make payments of £130 to the approximately 500,000 households in receipt of Council Tax Reduction. Secondly, we will make two payments of £100 each to the families of children in receipt of free school meals. We anticipate that this will benefit up to 170,000 families. Families who are in receipt of both Council Tax Reduction and Free School Meals will be eligible to receive both payments, worth a total of £330.

Firstly, the Scottish Government has been progressing the commitment agreed with the Scottish Greens in respect of the 2020-21 Budget Bill to provide concessionary travel for under-19s. Progress of this policy has been delayed as a result of the pandemic, but our aim is to launch this scheme in the coming months as long as this is compatible with Covid restrictions. Both parties are committed to making investments which will help Scotland realise its climate change ambitions and also tackle inequalities. Having listened to your request to further extend concessionary travel for young people in Scotland, the Scottish Government will now commit to make this support available to under-22s (including 21 year olds). Changes to the concessionary travel scheme require public consultation, equalities and other impact assessment, legislation, financial investment and engagement with delivery partners, including bus operators and local authorities. The impact of Covid-19 over the next twelve months also remains uncertain. The Scottish Government therefore commits to make as much progress as possible during 2021-22 to deliver this further change to the concessionary travel scheme, and has allocated an additional £17 million in the Budget Bill for this purpose.

Secondly, I can confirm that the Scottish Government will provide funding to support a phased approach to free school meals as previously discussed. I have considered this with the Deputy First Minister (and reflected engagement with COSLA and caterers), and as a result I propose to make £49.75 million of funding available in 2021-22 to support the phased the roll-out of free school meals. The first phase is planned for July 2021 and will enable the provision of free school meal holiday support to all children and young people who are currently eligible for free school meals on the basis of low income. We will then roll-out free school meal provision across primary children from August 2021 with the goal of providing universal free school meal provision to primary children by August 2022. To ensure quality and support the local economy, we will also expand the Food for Life scheme.

Thirdly, in recognition of the concerns you have raised about the lowest paid and in light of the consequential outcomes of the UK Budget on 3 March, I can confirm that the Scottish Government will revise the 2021-22 Public Sector Pay Policy to provide an increased cash underpin of £800 for those earning up to £25,000, and 2% for those earning over £25,000 up to £40,000. For those earning above £40,000 the policy will remain unchanged. As I emphasised when publishing the pay policy in January, I share your view about the remarkable contribution that public sector employees have made during the pandemic and have prioritised this when considering how to proceed following confirmation of the impact of the UK Budget last week.

In relation to capital spending, I reviewed the capital programme and have identified £40m that can be made additionally available for projects that support green recovery and our net-zero ambitions. We have agreed this will be allocated as follows: £15 million for active travel, £10 million for energy efficiency and £10m additional funding for biodiversity which will go towards a new scheme offering grants for a wider range of projects that deliver nature restoration, safeguard our wildlife and tackle the causes of biodiversity loss including especially climate change. Eligibility for grants will be widened to encourage more projects to come forward.

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We will allocate an additional £5 million of Capital funding to the Rural Economy and Tourism portfolio to support emissions reduction in the agriculture sector, supporting broader agri-environment measures flowing from the farmer led groups. This would supplement the current Agricultural Transformation Programme.

On the ask about the focus of the town centre fund, this fits well with our own ambitions. Our town centre plan looks for improved active travel infrastructure and we have been clear with local authorities, who are our delivery partners in this, about the need for it to support the delivery of 20 minute neighbourhoods.

In addition to the above, it is worth noting that as part of the 2021-22 Budget, the Scottish Government committed to supporting the Respiratory Care Action Plan, due to publish later this month.

In the 2020-21 budget agreement I made a commitment of a further £5m to Transport Scotland to support a range of work in relation to the Longannet, Milngavie and East Kilbride lines. I am pleased to confirm this funding was deployed as agreed. We continue to work on a business case for the Milngavie route, which once complete will be available for public inspection. We are continuing further pre-planning discussions related to Longannet, and can also commit to a re-evaluation of business cases if the Talgo bid is unsuccessful.

I have made clear through the budget process and negotiations with all parties that, given the Covid-19 commitments and limited funding arising from the recent UK Budget, there is limited scope to fund significant additional commitments. However, I also recognise that it is in the national interest to secure this Budget Bill and that your spending proposals would benefit public services and our response to the global climate emergency.

The UK Budget provided an additional £1.175 billion of resource funding to the Scottish Government. As you are aware we had already assumed £500m in the draft budget, furthermore we estimate £460m is required to meet the ongoing costs under the Strategic Framework Business Fund until June. There is a further £75m of funding that will support the extension of Self-Isolation payments as called for by the Scottish Greens, health services, additional transport requirements and other Covid-19 related costs. As you'll be aware, the UK Budget had a negligible impact on our capital and financial transactions position.

The funding for this deal will come from the unallocated balance of funding from the UK budget for resource and, as noted above, reprioritisation for capital.

I hope you agree that this offer of an additional £167m of resource and £40m of capital investment together with the revised pay policy delivers a good deal for Scotland, supporting the lowest paid, further expanding free bus travel, and investing in green infrastructure.



**KATE FORBES**

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