

PART 1A

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 26 September 2022 19:43

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary [REDACTED] DG Economy [REDACTED] Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) [REDACTED]

Subject: RE: OFF-SEN: Investment zones and Green Freeports: call with Secretary of State for Levelling Up

Hi [REDACTED]

DFM is content with your readout.

Thanks,

[REDACTED]

[REDACTED]

Deputy Private Secretary to Deputy First Minister and Cabinet Secretary for Covid Recovery – John Swinney

The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG
[REDACTED]

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From: [REDACTED]

Sent: 23 September 2022 04:42

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary [REDACTED] DG Economy [REDACTED] Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) [REDACTED]

Subject: OFF-SEN: Investment zones and Green Freeports: call with Secretary of State for Levelling Up

PS/Deputy First Minister

cc: as envelope

Following [REDACTED] call with the Secretary of State for Levelling Up last night, below is a draft of a short summary note. Please could you check that the Deputy First Minister is content with it?

[REDACTED]

1. The Secretary of State expressed gratitude to the Deputy First Minister for agreeing to speak at very short notice. [REDACTED] that the Chancellor would be announcing on 23 September; he wanted to discuss how they might be taken forward in Scotland.

[REDACTED]

4. [REDACTED] He had expected to be discussing that, rather than talking about new proposals on which he had not seen any detail, but which sounded both broader and different in scope, and would certainly require careful consideration. He could commit to taking forward discussions with the UK Government about the relationship between the two initiatives, in a spirit of partnership: but no more than that. The Secretary of State said that was all he was asking for.

5. It was agreed that officials should seek to agree a form of words to this effect; and to pick up the discussions on the Green Freeport competition as soon as possible after the Chancellor's statement.

6. Following the meeting, officials negotiated, and the Deputy First Minister subsequently approved, the following formulation:

We will work in partnership with devolved governments and other stakeholders to agree how we can use our levers to deliver Investment Zones in Scotland, Wales, and Northern Ireland, respecting the devolution settlements.

In Scotland, we will work with the Scottish Government to agree the interaction between Investment Zones and the Scottish Green Freeports competition, in which we have had expressions of interest from 5 areas.

[REDACTED]

Directorate for Economic Development

[REDACTED]

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 23 September 2022 20:43

To: [REDACTED]

Cc: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED], Permanent Secretary [REDACTED], DG Economy [REDACTED], Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) [REDACTED]

Subject: RE: OFF-SEN: Investment zones: letter from Secretary of State for Levelling Up

[REDACTED]

Letter now received – grateful for advice and draft response for DFM to consider.

Thanks

[REDACTED]

[REDACTED] | Office of the Deputy First Minister and Cabinet Secretary for Covid Recovery – John Swinney

St Andrew's House | Regent Road | Edinburgh | EH1 3DG [REDACTED]

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From: [REDACTED]

Sent: 23 September 2022 16:29

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary <[REDACTED]>; DG Economy [REDACTED]; Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED]; Macdonald L (Louise) [REDACTED]

Subject: OFF-SEN: Investment zones: letter from Secretary of State for Levelling Up

PS/Deputy First Minister

cc: as envelope

1. Following last night's call and this morning's statement by the Chancellor, the Secretary of State for Levelling Up will very shortly be writing to you about Investment Zones.

2. I attach the draft which the Cabinet Office have shared informally with me this afternoon. A similar letter will go to the Welsh Government and the Northern Ireland Executive (tailored to the different circumstances).

3. The DFM will note that the letter emphasises the need for a partnership approach; suggests the possibility of a bespoke model for Scotland that need not be identical with the English version; avoids too crude a linkage between Investment Zones and Green Freeports; and confirms the Secretary of State's commitment to a further meeting with DFM specifically to finalise the Green Freeport competition.

4. As soon as the final version arrives, we will submit advice and a draft reply.

[REDACTED]

[REDACTED]

Directorate for Economic Development

[REDACTED]

The Rt Hon Simon Clarke MP
*Secretary of State for Levelling Up,
Housing & Communities*
**Department for Levelling Up, Housing
and Communities**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

John Swinney
The Scottish
Parliament
Edinburgh
EH99 1SP

23rd September 2022

Dear John,

INVESTMENT ZONES

Following on from our discussion yesterday evening, I am writing to give you more detail of the announcement made today by the Chancellor of the Exchequer on Investment Zones and the opportunities they offer to unlock the full economic growth of the UK. I know you will be receiving a briefing on the Growth Plan from the Chief Secretary to the Treasury today, and I am keen to set out my desire to work with you on how Investment Zones could be designed to benefit Scotland.

The Prime Minister has been clear from the first day in office that she wants to deliver growth for the whole of the UK. We are moving quickly to give everybody the opportunities they deserve. We have announced our ambition to deliver Investment Zones across the UK, and we have begun to move forward in England to address the restrictive fiscal landscape that stifles innovation and dampens growth; and regulations that can be too complex, too slow, and too burdensome to deliver the development needed.

We would like to work with Scottish Government to develop the right Investment Zones offer for Scotland. Our approach will be to prioritise joint working as we have done in working to deliver Green Freeports. For Investment Zones to be successful in Scotland there must be a partnership between UK Government, Scottish Government and local partners.

Our offer in England sets an example for how we would like to see Investment Zones drive growth in Scotland. For transparency, but not to prejudge the right offer for Scotland, the Investment Zone offer in England focuses on:

- **Reducing the tax burden on people and businesses in Investment Zones** to give businesses the certainty they need to invest for the long-term in these places and provide the opportunity to build on the success of our Freeports

programme. We want to work with you to determine whether Investment Zones include devolved taxes as with Green Freeports.

- **Establishing a bespoke approach to planning in Investment Zones.** We want to streamline the current system, while ensuring developments are safe and sustainable, to enable developers to innovate and respond to the market better and deliver the attractive, well-designed new communities we all want to see. This bespoke approach for home and businesses will only apply within the geographic boundaries of Investment Zones. We would like to share our approach with you and discuss whether similar barriers to development in potential Investment Zones can and should be removed in Scotland.
- **Consolidating the UK's strengths in science, technology, and other industries,** by removing the barriers and bureaucracy that constrain innovation and investment.

Our ambition for Investment Zones is to go further than any government growth programme to date. I want to work with you to determine how Investment Zones can operate in Scotland. If you agree, my officials will work with yours to take these discussions forward, including how it fits with the Scottish Government's Programme for Government, and as agreed we should meet separately on finalising the Green Freeports.

I look forward to working with you over the coming days.

Rt Hon Simon Clarke MP

Secretary of State for Levelling Up, Housing & Communities

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 26 September 2022 22:26

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary [REDACTED]; DG Economy [REDACTED] Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) [REDACTED] Chief Planner

Subject: RE: OFF-SEN: Investment zones: letter from Secretary of State for Levelling Up

Hi [REDACTED]

Confirming that the attached letter has issued to Simon Clarke this evening following DFM's clearance.

DFM would also welcome swift advice from planning officials about the issues raised by the guidance document on planning considerations. Are there issues covered by any aspects of SG planning legislation? How do they sit together, etc.? DFM would need this before any call with Mr Clarke.

Thanks,

[REDACTED]

[REDACTED]

Deputy Private Secretary to Deputy First Minister and Cabinet Secretary for Covid Recovery – John Swinney

The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG

[REDACTED]

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From: [REDACTED]

Sent: 26 September 2022 15:50

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary [REDACTED], DG Economy [REDACTED] Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) [REDACTED]

Subject: RE: OFF-SEN: Investment zones: letter from Secretary of State for Levelling Up

PS/Deputy First Minister

cc: as above

1. As requested, I enclose a short, hopefully self-explanatory draft reply to Mr Clark. I have discussed it briefly with [REDACTED]
2. I also enclose for the Deputy First Minister's information the text of the short guidance document on Investment Zones in England which DLUHC published on their website on Saturday.
3. As the Deputy First Minister will see, this provides:
 - some more information about the proposed process in England;
 - a little more detail about financial incentives on offer, along lines previously described to us; and
 - an indication of the approach to accelerating and streamlining planning consents, although this raises a number of questions and potential sensitivities.

Overall, this still looks more like an outline than a description of a fully worked-out policy programme. We will want to seek much more clarity as an immediate priority in any official-to-official engagement.

4. In the meantime, I now understand that Mr Clarke's office have today been in touch to seek an early further meeting with the Deputy First Minister; and that a slot tomorrow afternoon is under consideration. If that is confirmed, the Deputy First Minister might want to consider holding on to the letter for the moment.

5. Happy to discuss both content and handling; and to support any meeting.

[REDACTED]

Directorate for Economic Development

[REDACTED]

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 24 September 2022 08:08

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary [REDACTED] DG Economy [REDACTED] Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) [REDACTED]

Subject: RE: OFF-SEN: Investment zones: letter from Secretary of State for Levelling Up

[REDACTED]

DFM would like the reply to agree to engagement please.

Thanks

[REDACTED]

[REDACTED] | Office of the Deputy First Minister and Cabinet Secretary for Covid Recovery –
John Swinney
St Andrew's House | Regent Road | Edinburgh | EH1 3DG | [REDACTED]

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From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 26 September 2022 22:21

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]
DiarySimonClarke , PSSimonClarke [REDACTED]

Subject: RE: Meeting between Minister Swinney and the Secretary of State for DLUHC

Dear [REDACTED]

Further to [REDACTED] email below, please find attached a letter from the Deputy First Minister. I would be grateful if you can bring this to the attention of the Secretary of State.

Kind regards,

[REDACTED]

[REDACTED]

Deputy Private Secretary to Deputy First Minister and Cabinet Secretary for Covid Recovery
– John Swinney

The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG

[REDACTED]

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[REDACTED]

An Leas-phrìomh Mhinistear agus Ath-shlànachadh Cobhid
Deputy First Minister and Cabinet Secretary for Covid Recovery
John Swinney MSP
T: 0300 244 4000
E: dfmcsr@gov.scot



Scottish Government
Riaghaltas na h-Alba
gov.scot

The Rt Hon Simon Clarke MP
Secretary of State for Levelling Up, Housing and Communities
4th Floor, Fry Building
2 Marsham Street
London
SW1P 4DF
26 September 2022

Dear Simon,

INVESTMENT ZONES AND GREEN FREEPORTS

Thank you for your letter of 23 September, and for our conversation the previous evening about investment zones and Green Freeports.

I was interested to see the outline of your proposed approach to Investment Zones in England; and I was pleased to note the clear acknowledgement that creating such zones in Scotland would require joint partnership working between our two governments. Any such programme in Scotland would need both to reflect the Scottish economic, policy and governance landscape; and also, vitally, to respect the devolution settlement, given that a number of the issues described in the guidance for England published by your department on 24 September are fully devolved. I am therefore content for my officials to engage with yours, at pace, to explore the scope for a partnership approach to develop a model that would be a good fit for Scotland.

However, as I told you when we spoke, as our first priority I am keen that we should now rapidly conclude the current Green Freeport competition and announce the outcome. Bidders, businesses, local authorities and other stakeholders have been waiting for this for some time; and as you will be aware, are becoming increasingly anxious. I am concerned that further delay and uncertainty, against the backdrop of a steadily worsening economic outlook, could have a strongly negative impact both on confidence and on investment prospects for the areas covered by the bids.

[REDACTED] As I am sure you will agree, delivering now on the partnership approach embodied in the joint competition would send a strong positive signal for Scottish businesses.

I look forward to hearing from you.

JOHN SWINNEY

[REDACTED]

Green Freeports/Investment Zones

Meeting between Deputy First Minister and Secretary of State for Levelling Up 29 September 2022

Speaking points

Green Freeports

- I am pleased to have the opportunity to pursue our discussions about Green Freeports.
- As I said in my letter to you, I am very keen that we should conclude the competition and jointly announce the outcome as soon as we can. Bidders, businesses, local authorities and other stakeholders are all becoming anxious about the delay; and further uncertainty could have a real negative impact on confidence and future investment. The broader economic outlook is only making that anxiety more acute.
- **But** it is very important that we conclude the competition in the right way. When we make our joint announcement on the winners, we will need to have both a clear message to the unsuccessful bidders and some concrete proposals to make to them.
- [REDACTED]

Investment zones

- When we spoke last week, you suggested that one way forward might be for some or even all of the Green Freeport bidders to become investment zones in the future.
- I agreed that our officials could discuss whether there is scope for a model for investment zones that might work here, in a way that would properly respect the devolution settlement and the different economic, policy and governance landscape in Scotland. I am keen to hear how that will be taken forward: it will be important for engagement to be both structured and substantive, and taken forward in a spirit of partnership.
- But it will take work and some very careful consideration before we can conclude whether a joint approach to investment zones is indeed possible; and if so, what the detailed policy design, geography and process should be. From what little we have seen so far, there are a number of question marks about the UK Government's proposals. As of today, a number of critical elements of the proposed approach in England remain unclear to us.
- [REDACTED]

INVESTMENT ZONES: SCOTTISH PLANNING SYSTEM

Top lines

- [REDACTED] There had been no engagement between UKG and SG officials in advance on these issues. [REDACTED]
- In Scotland, we are already delivering a sweeping, genuinely transformational **planning reform programme**. That is streamlining the system to be far more proactive in directing future development, improving confidence and predictability for developers and communities.
- [REDACTED]
- I am keen to better understand the intention and **rationale for removing well-established environmental regulation** from decision-making. We will continue to align regulation in Scotland with EU regulation where appropriate and in a manner that contributes towards maintaining and advancing standards across a range of policy areas.

Planning system reforms / options

- Our **National Planning Framework 4 (NPF4)** will very clearly establish strategic development needs and give clear direction to planning decision-makers.
- NPF4 will identify **National Developments**, meaning that their need will already be set when planning applications are considered. We have consulted on a suite of 18 National Developments, for example for strategic renewable electricity generation and transmission infrastructure, and for major regeneration and investment programmes at places such as Hunterston, Dundee and the Clyde Mission.
- We could consider new development orders, using existing powers, introducing **Permitted Development Rights** where there are identifiable development classes. [REDACTED]
- [REDACTED] **Masterplan Consent Areas** – a new tool being introduced through the 2019 Planning Act – where planning permission is granted up-front and so applications are not required. These would allow for development to happen providing it is in line with an agreed scheme which sets out design and placemaking parameters. They require time and resource / expertise investment but have been piloted and have the potential to generate more certainty for investors. New regulations will be required; currently programmed for 2023.
- We are pursuing a programme of **improved performance, skills and increased resources** to manage the planning system. Previous experiences with Enterprise Zones in Scotland suggests a designated contact in the planning service, backed up with having sufficient resource available, would be as effective as structural changes [REDACTED]

Assessment of England's planning role in Investment Zones and applicability in Scotland

There is currently very little detail available from UK Government about how the English planning system will be expected to support the introduction and operation of Investment Zones. Planning, Architecture and Regeneration Division colleagues are engaging with their counterparts in DLUHC to follow progress as thinking evolves. The following table identifies

what we know so far and considers how Scotland’s devolved planning system might fit, particularly through ongoing reforms.

<p>UKG asks of LAs re Investment Zones</p>	<p>To ensure planning is not a barrier to the accelerated delivery of development within Investment Zones.</p>
<p>Problems UKG seeking to address in England</p>	<p>Uncertainty and perceived delay caused through planning assessment and consenting processes. All Investment Zones will have a mandate to boost growth; in Zones, the planning system will not stand in the way of investment and development.</p>
<p>Tools UKG proposing to deploy</p>	<p>Reducing process and complexity for faster decision-making / consenting:</p> <ul style="list-style-type: none"> ○ remove burdensome EU requirements which create paperwork and stall development but do not necessarily protect the environment ○ focus developer contributions on essential infrastructure requirements ○ reduce lengthy consultation with statutory bodies ○ relax key national and local policy requirements * <p>* [REDACTED] a statement that key policies will continue to apply to:</p> <ul style="list-style-type: none"> ○ ensure developments are well designed ○ maintain national policy on the Green Belt ○ protect our heritage ○ address flood risk, highway and other public safety matters
<p>Do the same problems exist in Scotland</p>	<p>Performance of the planning system and its predictability have been long-standing concerns for developers and communities. Our ongoing planning reform programme is actively addressing these issues. Previous experience of Enterprise Zones show that rather than changing the system, having a clear contact / account manager in the planning service can help to ease the passage of significant developments through the system.</p>
<p>Tools we already have in place to address them</p>	<p>Scotland is currently implementing a whole-system reform of planning, including implementation of the Planning (Scotland) Act 2019, focused on delivering clear expectations for development and quicker, more consistent decisions.</p> <p>Planning reforms include:</p> <ul style="list-style-type: none"> ○ Policy reform – National Planning Framework 4: <ul style="list-style-type: none"> ● Identifying National Developments which will set the principle of specified developments of national importance, so remove the need to consider ‘need’ through application processes ● Clear and consistent suite of national planning policies, guiding every planning decision across Scotland and giving greater certainty ● A delivery programme, ensuring close monitoring and proactive actions to manage delivery of NPF4 outcomes. ○ Legislative reform: <ul style="list-style-type: none"> ● A new enhanced status for NPF4 as national-level statutory development plan

	<ul style="list-style-type: none"> • Local authorities collaborating over regional spatial strategies, identifying future development needs to prioritise through development planning • Place-focused local development plans, giving clearer direction to future development of all areas • A new power for proactive public / private sector collaboration through new 'masterplan consent areas' that will enable developers to build without having to secure individual consents • Removing the need to gain planning permission for some types of development by extending permitted development rights • Land assembly: improving and incentivising use of compulsory purchase powers • Developer contributions: making best use of current mechanisms such as legal agreements associated with planning permissions, alongside a new infrastructure levy to further enhance partnership working <p>○ Performance / skills improvement:</p> <ul style="list-style-type: none"> • Appointment of a National Planning Improvement Coordinator to support planning service providers and users, including developers and agencies (<i>currently preparing for recruitment</i>) • Recent substantial fees increase to boost planning service resources; further commitment to work towards full cost recovery • Implement new statutory performance reporting requirement and mandatory training for elected members (in 2019 Planning Act) • Supporting planning profession and planning services on Future Planners programme to increase people and skills.
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[REDACTED]

From: [REDACTED]

Date: Thursday, 29 Sep 2022, 4:44 pm

To: Permanent Secretary [REDACTED]

Cc: DG Economy [REDACTED] Macdonald L (Louise) [REDACTED]

Subject: FW: OFF-SEN: Green Freeports and Investment Zones: call with Secretary of State for Levelling Up

Permanent Secretary

cc: as above

A note of this call (which went well) will follow shortly: but you'll want to know that DFM told Mr Clarke that he would ask you to work alongside Sue Gray to re-emphasise to the BEIS Permanent Secretary the case for an early decision on ACORN/CCUS. For his part, Mr Clarke undertook to do so directly with Jacob Rees-Mogg.

Sue said that you and she would both be at an event with Sarah Munby tomorrow; so I thought you would welcome an immediate heads-up in case she speaks to you there.

I've copied this to [REDACTED] in case you need any refreshed briefing.

[REDACTED]

Directorate for Economic Development

[REDACTED]

From: [REDACTED]

Sent: 29 September 2022 21:33

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: Permanent Secretary <[REDACTED]> DG Economy [REDACTED] Minister for Business, Trade, Tourism & Enterprise [REDACTED] Director of Economic Development [REDACTED] Macdonald L (Louise) Chief Planner

Subject: RE: OFF-SEN: Green Freeports and Investment Zones: call with Secretary of State for Levelling Up

PS/Deputy First Minister

cc: as envelope

1. I **attach** a **draft** summary note of this afternoon's meeting . I would be grateful if the DFM could confirm that he is content with it.

2. Post-meeting feedback from the UKG side was:

- Mr Clarke very much appreciated the tone of the conversation
- [REDACTED]
- The English Expressions of Interest guidance is unlikely to issue before the weekend.

3. When the guidance issues, we will circulate a commentary.

4. We will also provide updates on officials' follow-up.

[REDACTED]

Directorate for Economic Development

[REDACTED]

Green Freeports and Investment Zones

Meeting between Deputy First Minister and Secretary of State for Levelling Up 29 September 2022

Participants:

SG: Deputy First Minister, [REDACTED]

Summary note

- SoS thanked DFM for his letter, and for all the joint working so far on Green Freeports. He was keen to talk about concluding the competition, including what to do about the unsuccessful bidders; the question of taking forward Investment Zones in Scotland; and the specific issue of the challenges facing the North East.
- [REDACTED]
- For the unsuccessful bidders, his strong suggestion would be to invite them to submit bids for Investment Zone status. The work that they had already done would translate readily to the opportunities presented by Investment Zones, so they would be in a very strong position. For fairness, the successful bidders should also be given the opportunity to adopt all the incentives available to Investment Zones, which would ensure parity with the approach UKG was taking to English Freeports.
- SoS was very keen to work at pace with SG to develop a partnership model for Investment Zones that would work in Scotland, recognising that many of the powers to make them work were devolved.
- [REDACTED]
- More broadly, there were discussions to be had with BEIS about ACORN and CCUS. SoS could not make a firm commitment today, but underlined that he saw both the opportunity and importance of making progress here, and the strategic significance of CCUS nationally and globally. He would speak to the Business Secretary further about it, and Sue Gray would pursue it with the BEIS Permanent Secretary.
- [REDACTED]
- DFM said that, while those discussions were progressing, he would be happy to open up a parallel, private dialogue about Investment Zones, looking at the components of the emerging package in England and considering what would and would not work in Scotland, or if there were different elements that could be considered, to develop a potential model for Scotland. For example, he noted that the legislative framework for planning in Scotland already appeared to allow for the kind of approach sketched out in the initial UKG guidance note for England: other areas might be more difficult. But as yet, we had little information to go on.
- SoS welcomed the offer. Many of the levers to make Investment Zones work were devolved, so if Investment Zones were to be implemented in Scotland, that could only be on the basis of an agreement which was satisfactory for the Scottish Government. The Expressions of Interest guidance for England would be published very soon indeed, possibly even on 30 September. It would set out the English model in much more detail: officials could use this as a starting point for their discussions.

- It was agreed that officials would take forward discussions at pace, with a view to another meeting between DFM and SoS soon (- SoS suggested as early as next week).

29. 9. 2022

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 30 September 2022 07:25

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery <

Cc: Permanent Secretary [REDACTED] DG Economy, Minister for Business, Trade, Tourism & Enterprise [REDACTED], Director of Economic Development [REDACTED], Macdonald L (Louise) Chief Planner [REDACTED]

Subject: RE: OFF-SEN: Green Freeports and Investment Zones: call with Secretary of State for Levelling Up

Thanks [REDACTED]

DFM is content with this note and welcomes the post-meeting feedback. DFM has spoken with the Permanent Secretary as promised and he will do all that he can.

Kind regards,

[REDACTED]

Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Covid Recovery

The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG
[REDACTED]

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PART 1B

BRIEFING: DEPUTY FIRST MINISTER CALL WITH NEW CHIEF SECRETARY TO THE TREASURY (CST) CHRIS PHILP MP

22 September 2022

Background

- This call is in advance of the 23 September fiscal event, officials expect the CST to provide you with an insight into the content of the upcoming announcement.
- CST asked for a call after the fiscal event but you pressed for this to be in advance, as is normal practice with fiscal events.
- You and the other devolved administrations issued a joint letter to the Chancellor on 16 September setting out shared concerns and requests ahead of the UK fiscal event on 23 September and seeking a meeting with the CST.
- You wrote individually to the new Chancellor on 6 September.
- You and the other devolved administrations also wrote to the previous Chancellor on 15 July.

Points to raise

Constructive working

You may wish to:

- Welcome the CST to his role and say that you are **keen to work constructively**.
- Refer to the **joint letter** issued on Friday.
- Refer to your meeting with the Chancellor of the Duchy of Lancaster last week.

UK fiscal event

You may wish to invite the CST to share what information he can about the forthcoming fiscal event.

- **What can we expect to be included** in the announcement?
- What measures will be targeted at helping **low income households**?
- What impact does he expect this statement to have on **devolved government budgets**?
- Will the Treasury publish **forecasts from the OBR**?

[REDACTED]

Joint letter to the Chancellor on the cost crisis

You may wish to highlight the key points from the joint letter to the Chancellor:

- The cap on household energy bills is welcome but should be funded by an enhanced **windfall tax** on energy companies rather than by borrowing.
- Even with the cap, prices are still double what they were last year. More **targeted support for households** is needed.
- **Businesses and third sector** need further certainty and support. The 21 September announcement only provides temporary (6 months) respite. Many

businesses and organisations are very concerned and potentially face closure.

- The crisis also means a **major squeeze on our public finances**. We are dealing with increased costs and wage pressures.
- Devolved governments now need **additional funding** to help deal with these cost pressures.

You may wish to add:

- Inflation means that Scottish Government funding settlement now **worth £1.7 billion less** than when announced last December.
- Scottish Government has already identified **£500 million of cuts**, which I announced to Parliament on 7 September.
- Devolved governments are required to **balance their budgets**. We do not have the borrowing powers or flexibilities that the UK Government has to deal with this crisis.
- Scottish Government has called for the UKG to **uprate all Social Security benefits** to support low income households through the winter and provide a £25 uplift to Universal Credit and extend this to legacy benefits.

Finance: Interministerial Standing Committee (F:ISC)

We have been pressing CST's office to **commit to a date for the next F:ISC**, which you will host in Edinburgh, with a proposed date of 5 October. **[REDACTED]**

Budget, Pay and Pensions Division, September 2022

BRIEFING: DEPUTY FIRST MINISTER CALL WITH NEW CHIEF SECRETARY TO THE TREASURY (CST) CHRIS PHILP MP [UPDATED VERSION]
23 September 2022: 1345 – 1400 - MS Teams

Background

- **[REDACTED]**
- You and the other devolved administrations issued a joint letter to the Chancellor on 16 September setting out shared concerns and requests ahead of the UK fiscal event on 23 September and seeking a meeting with the CST.
- You wrote individually to the new Chancellor on 6 September.
- You and the other devolved administrations also wrote to the previous Chancellor on 15 July.

UK fiscal event

Key points from the statement on 'The Growth Plan':

- Reversal of current rise in national insurance contributions and cancellation of the planned Health and Social Care levy (announced yesterday)
- Cancellation of planned rise in corporation tax
- Announcement of plan to establish investment zones
- Increase in stamp duty thresholds (England and Northern Ireland)
- Plan to abolish the 45% rate on earnings over £150,000 and reduce the basic rate of income tax to 19% from April 2023
- Removal of the cap on bankers' bonuses.

Implications for Scottish budget

[REDACTED]

Points to raise

Constructive working

You may wish to:

- Welcome the CST to his role and say that you are **keen to work constructively**.
- **[REDACTED]**
- Refer to the **joint letter** issued on Friday, which specifically requested a meeting ahead of the announcement.
- Refer to your meeting with the Chancellor of the Duchy of Lancaster last week.

UK fiscal event

[REDACTED]

You may also want to press the CST on the UKG's plans for the UK budget:

- Can you provide any information on when the **full UK budget** is likely to take place?
- This is very important in terms of the **timing for the Scottish budget**, which itself involves independent forecasts from the Scottish Fiscal Commission and parliamentary scrutiny.

Finance: Interministerial Standing Committee (F:ISC)

- We have been pressing CST's office to **commit to a date for the next F:ISC**, which you will host in Edinburgh, with a proposed date of 5 October.

[REDACTED]

Budget, Pay and Pensions Division, September 2022

ANNEX

Joint letter to the Chancellor on the cost crisis

Key points from the joint devolved administrations' letter to the Chancellor:

- The cap on household energy bills is welcome but should be funded by an enhanced **windfall tax** on energy companies rather than by borrowing.
- Even with the cap, prices are still double what they were last year. More **targeted support for households** is needed.
- **Businesses and third sector** need further certainty and support. The 21 September announcement only provides temporary (6 months) respite. Many businesses and organisations are very concerned and potentially face closure.
- The crisis also means a **major squeeze on our public finances**. We are dealing with increased costs and wage pressures.
- Devolved governments now need **additional funding** to help deal with these cost pressures.

Further points specific to the Scottish Government:

- Inflation means that Scottish Government funding settlement now **worth £1.7 billion less** than when announced last December.
- Scottish Government has already identified **£500 million of cuts**, which I announced to Parliament on 7 September.
- Devolved governments are required to **balance their budgets**. We do not have the borrowing powers or flexibilities that the UK Government has to deal with this crisis.
- Scottish Government has called for the UKG to **uprate all Social Security benefits** to support low income households through the winter and provide a £25 uplift to Universal Credit and extend this to legacy benefits.

RE: URGENT - DFM briefing required by 13:15 today

From: [REDACTED]

23 September 2022

To: Deputy First Minister and Cabinet Secretary for Covid Recovery; First Minister

CC: [REDACTED] DG Scottish Exchequer Mailbox, Minister for Public Finance, Planning & Community Wealth, Director of Budget and Public Spending, Chief Financial Officer, Director of Tax and Revenues; EPCD Mailbox

Hi [REDACTED]

I've attached a short-note setting out early analysis of the impact of the Income Tax and Stamp Duty Land Tax changes. I've copied the First Minister's office, as they have also (and separately) asked for a note on this.

Here are some suggested speaking notes for the DFM's call:

Background

[REDACTED]

As trailed in the note, a fuller briefing will be provided by close today.

Thanks

[REDACTED]

[REDACTED]

[REDACTED] Tax Strategy and New Revenues Unit | Directorate of Tax and Revenues | Scottish Government

[REDACTED]



From: [REDACTED]

Sent: 23 September 2022 12:36

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: DG Scottish Exchequer Mailbox [REDACTED]

Subject: RE: URGENT - DFM briefing required by 13:15 today

[REDACTED]

We've been working on a note which we'll send shortly and before the deadline.

[REDACTED]

[REDACTED]

[REDACTED] Tax Strategy and New Revenues Unit | Directorate of Tax and Revenues | Scottish Government

Telephone: [REDACTED]



From: [REDACTED] **On Behalf Of** Director of Tax and Revenues
Sent: 23 September 2022 12:32
To: [REDACTED]
Subject: FW: URGENT - DFM briefing required by 13:15 today

[REDACTED] | Directorate for Tax and Revenues | Scottish Government [REDACTED]

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery
Sent: 23 September 2022 12:28
To: [REDACTED] DG Scottish Exchequer Mailbox , Director of Tax and Revenues [REDACTED]
Cc: Deputy First Minister and Cabinet Secretary for Covid Recovery, [REDACTED]
Subject: URGENT - DFM briefing required by 13:15 today

[REDACTED]

DFM has a call with the CST at 1345 today. Before that, he wishes to have a readout of the key things that he needs to have to hand from the statement and what it means for us, he specifically mentioned block grant adjustments.

I know there are a lot of emails flying around and so apologies if this has already been requested, or has already been provided via another note, but given the urgency I thought I would be best to flag directly. Could somebody please confirm this has been picked up and will be responded to by 1315?

Many thanks

[REDACTED]

[REDACTED] | Private Secretary to Deputy First Minister of Scotland and Cabinet Secretary for Covid Recovery - John Swinney MSP | Scottish Government | St Andrew's House | Edinburgh | EH1 3DG |[REDACTED] | E: [REDACTED]

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Note for Deputy First Minister
UK Fiscal Event – implications for devolved tax policies and funding

Purpose

1. This note provides our initial analysis of the announcements made by the Chancellor that impact our devolved responsibilities and funding position. A full briefing on all elements of the package and the broader economic and fiscal context will be provided by the end of today.

Overall impact on funding position of tax measures

2. Today’s statement was not accompanied by independent forecasts by the Office for Budget Responsibility (OBR). However, HM Treasury have provided us with their own estimates of indicative BGA impacts arising from today’s announcements on Income Tax and SDLT. The budget position is expected to improve by £35 million in 2022-23 and £395 million in 2023-24.

3. These costings remain uncertain, and the final implications of this fiscal event for the SG’s funding will not be known until we have the confirmed BGAs from the OBR later in the year and we have taken our own decisions on tax policy.

4. The overall funding position is highly uncertain without OBR forecasts. HMT have also indicated that there is an increased potential for material changes to departmental settlements at supplementary estimates, which creates further volatility and uncertainty to our overall funding position this year due to the increased risk of negative or positive Barnett consequentials.

5. Officials will seek further clarification from HMT on the full details of the Barnett impacts and will provide further advice on what this means for our overall funding position, and the risks and uncertainties around that estimate, in due course.

Estimated BGA impacts				
Extra funding (+ve) over SR21 (£m)	22-23	23-24	24-25	Total
SG BGA	35	395	220	660
o/w BR cut brought forward	0	340	30	370
o/w AR removal	0	-5	125	120
o/w SDLT threshold increases	35	65	70	170

Income Tax

6. From April 2023:

- the Basic Rate of Income Tax in the rUK will be cut to 19p, bringing forward the planned cut by one year; and

- the 45p Additional Rate will also be abolished, leaving a two-band UK system, compared to a five-band system in Scotland (see table below).

7. This change results in the income tax systems in Scotland and rUK diverging further for those earning over the Scottish Higher Rate threshold (£43,662), introducing greater incentive for behaviour change which poses a risk to Scottish tax revenues.

Scotland 2022-23		UK 2023-24	
Band	Rate	Band	Rate
Over £12,570 -£14,732	19%	Over £12,570 -£50,270	19%
Over £14,732 -£25,688	20%		
Over £25,688 -£43,662	21%		
Over £43,662 -£150,000*	41%	Above £50,270*	40%
Above £150,000	46%		

* Removal of personal allowance on income above £100,000 still understood to apply in rUK (£1 for every £2 net adjusted income over £100,000)

8. [redacted]

Stamp Duty Land Tax

9. The changes announced were:

- nil rate band for Stamp Duty Land Tax (SDLT) will be permanently increased to 250k (from £125k), effectively removing the 2% band.
- The first-time buyer relief will also increase so that it applies up to £425k (from £300k).

10. For comparison, the nil rate band for LBTT is currently £145,000 and the first-time buyer relief applies up to is £175,000.

11. These changes represent further divergence from the current LBTT rates and bands,. To support more detailed advice, we are currently seeking to assess the percentage of overall transactions which would be taken out of tax as a result of this.

12. The table below provides an overview of the current (as of today) SDLT and LBTT bands.

Scotland 2022-23		UK 2022-23 (post change)	
Band	Rate	Band	Rate
Up to £145,000	0%	Up to £250,000	0%
Over £145,000 - £250,000	2%	Over £250,000 to £925,000	5%
Over £250,000 - £325,000	5%	Over £925,000 to £1.5m	10%

Over £325,000 to £750,000	10%	Over £1.5m	12%
Over £750,000	12%		

Income Tax Net Position

13. As set out above, there will be **no immediate implications for our income tax net position in 2022-23** as this has effectively been locked in. the Fiscal Framework agreement means that no changes can be made to the Scottish budget in-year once it is set.

14. HMT estimates published alongside today’s Statement, suggest that the cut in the UK-wide Additional Rate could result in higher earning taxpayers shifting their income into next year (2023-24) to benefit from the lower rate (also known as ‘forestalling’). If this happens, it would result in a drop in rUK receipts this year (2022-23), and hence a lower BGA. Yet, any changes to the BGA from this year will not impact our Budget until 2025-26 (not currently shown in the above table).

15. [redacted]

16. [redacted]

Conclusion

17. You are invited to note the contents of this briefing.

DG Exchequer/Office of Chief Economic Adviser – 23 September 2022

RE: Dates for an urgent meeting with the CST
Tue 20/09/2022 16:26
From: Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]>
To: [REDACTED]; Deputy First Minister and Cabinet Secretary for Covid Recovery
[REDACTED]
CC: [REDACTED] DG Strategy and External Affairs, Director of Budget and Public
Spending, Constitution and Cabinet Director
Thank you both,

I can confirm we have offered the 15:00 – 15:30 slot on Thursday to the CST and we will inform you of any responses.

Kind regards,
[REDACTED]
[REDACTED]
Deputy Private Secretary to the Deputy First Minister and Cabinet Secretary for Covid
Recovery
The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG
[REDACTED]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [REDACTED]
Sent: 22 September 2022 17:21
To: Director of Budget and Public Spending, Director of Tax and Revenues [REDACTED]
Cc: Deputy First Minister and Cabinet Secretary for Covid Recovery <[\[REDACTED\]](#)>
[REDACTED]
Subject: FW: Possible call with CST on Friday

Sharing this note with [REDACTED]

[REDACTED]– [REDACTED] will share briefing shortly. Does DFM require official support for the meeting?

Thanks,

[REDACTED]

[REDACTED]
Public Spending Division
[REDACTED]

Scottish Government
Victoria Quay
Edinburgh
EH6 6QQ

[REDACTED]

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 22 September 2022 17:11

To: [REDACTED]

Cc: [REDACTED], Deputy First Minister and Cabinet Secretary for Covid Recovery, Director of Budget and Public Spending

Subject: RE: Possible call with CST on Friday

[REDACTED]

Following on from our discussion earlier, [REDACTED] Grateful if you could send up light briefing as soon as possible please.

Thanks

[REDACTED]

[REDACTED] Office of the Deputy First Minister and Cabinet Secretary for Covid Recovery – John Swinney

St Andrew's House | Regent Road | Edinburgh | EH1 3DG | [REDACTED]

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From: [REDACTED]> **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery

Sent: 22 September 2022 10:02

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: [REDACTED]

Subject: RE: Possible call with CST on Friday

Morning [REDACTED]

CST's office was in touch yesterday [REDACTED]

I have just chased them for a response and will advise once timings have been confirmed.

Please draft light briefing as offered.

Thanks

[REDACTED]

[REDACTED] | Office of the Deputy First Minister and Cabinet Secretary for Covid Recovery –
John Swinney
St Andrew's House | Regent Road | Edinburgh | EH1 3DG | [REDACTED]

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From: [REDACTED]
Sent: 22 September 2022 09:55
To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]
Cc: [REDACTED]
Subject: RE: Possible call with CST on Friday

[REDACTED]

Thanks for this. Could I just confirm that the CST's office has been in touch with you seeking a call with the DFM?

Assuming that there will be a call tomorrow, I will provide some light briefing for the DFM.

Thanks
[REDACTED]

[REDACTED]

From: [REDACTED]
Sent: 21 September 2022 16:49
To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]
Cc: [REDACTED]
Subject: Possible call with CST on Friday

Hi [REDACTED] / PO team

We have been in touch regarding a possible meeting between the DFM and CST tomorrow.

[REDACTED]
Grateful if you could let us know if you have had a similar approach. We would also take the view that any call should take place prior to the announcement.

Thanks
[REDACTED]

[REDACTED] | Exchequer Intergovernmental Relations | Scottish Government | Victoria Quay, EH6 6QQ | [REDACTED]

RE: IMMEDIATE: Briefing for possible call between DFM and CST Sat 24/09/2022 08:09
From: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]
To: [REDACTED]; Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]>;
DG Scottish Exchequer Mailbox [\[REDACTED\]](#)
CC: [REDACTED]; Director of Budget and Public Spending, Director of Tax and Revenues

[REDACTED]

DFM is content with this read out. PO will now share with FM.

Much appreciated

[REDACTED] | Office of the Deputy First Minister and Cabinet Secretary for Covid Recovery –
John Swinney
St Andrew's House | Regent Road | Edinburgh | EH1 3DG | [REDACTED]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

From: [REDACTED]

Sent: 23 September 2022 14:56

To: Deputy First Minister and Cabinet Secretary for Covid Recovery <[REDACTED]> DG
Scottish Exchequer Mailbox <[REDACTED]>

Cc: [REDACTED] Director of Budget and Public Spending, Director of Tax and Revenues ,

Subject: RE: IMMEDIATE: Briefing for possible call between DFM and CST

PS/DFM

DG Scottish Exchequer

All

I attach a note of today's call between the DFM and Chief Secretary to the Treasury

Thanks

[REDACTED]

[REDACTED] | Exchequer Intergovernmental Relations | Directorate for Budget and Public Spending
| Scottish Government | Victoria Quay, EH6 6QQ | [REDACTED]

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid
Recovery

Sent: 23 September 2022 11:05

To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery
<DFMCSCR@gov.scot>

Cc: [REDACTED] Director of Budget and Public Spending, Director of Tax and Revenues ;

Subject: RE: IMMEDIATE: Briefing for possible call between DFM and CST

[REDACTED]

DFM will be having an individual meeting with the CST at 13:45 – 14:00 today. Please can the attached briefing be updated following the statement this morning.

Please can you also confirm who will be attend as official support asap.

[REDACTED]– thanks for confirming your availability.

Thanks

[REDACTED]

[REDACTED] | Office of the Deputy First Minister and Cabinet Secretary for Covid Recovery – John Swinney
St Andrew’s House | Regent Road | Edinburgh | EH1 3DG | [REDACTED]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

From: [REDACTED]

Sent: 22 September 2022 17:29

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: [REDACTED] Director of Budget and Public Spending, Director of Tax and Revenues [REDACTED]

Subject: IMMEDIATE: Briefing for possible call between DFM and CST

PS/DFM

IMMEDIATE

As you have advised, DFM is pressing for a call with the Chief Secretary to the Treasury tonight ahead of the fiscal event taking place tomorrow morning. However no call has yet been confirmed.

In the event that there is a call, I attach a short briefing note for DFM.

There are also plans for a call with all DA finance ministers after the announcement, so will provide further briefing for that tomorrow after the fiscal statement.

Thanks

[REDACTED]

[REDACTED] | Exchequer Intergovernmental Relations | Directorate for Budget and Public Spending | Scottish Government | Victoria Quay, EH6 6QQ | [REDACTED]

13:45 - 14:00 Meeting: DFM / Chris Philp MP, CST - The Chancellor of the Exchequer's Statement
Fri 23/09/2022 13:43

From: [REDACTED]; on behalf of; Deputy First Minister and Cabinet Secretary for Covid Recovery [\[REDACTED\]](#)

To: Swinney J (John), MSP [REDACTED] [REDACTED] Director of Tax and Revenues

[REDACTED]

DFM will be having an individual meeting with the CST at 13:45 – 14:00 today. Thanks for agreeing to update the briefing following the statement this morning and for confirming that [REDACTED] will support along with you as note taker.

Thanks

[REDACTED]

Microsoft Teams meeting

Join on your computer, mobile app or room device

[REDACTED]

PART 1C

DEPUTY FIRST MINISTER MEETING WITH CHIEF SECRETARY TO THE TREASURY 17 October 2022

This is your first meeting with the new Chief Secretary to the Treasury (CST) Rt Hon Edward Argar MP.

The Welsh Minister for Finance and Local Government, Rebecca Evans MS will also join. The Northern Ireland Minister for Finance Conor Murphy is unable to attend, but [REDACTED] from the Department for Finance will attend.

Points to raise

Welcome the reversals in the mini-budget – Concern that this comes too late with households already facing higher mortgage costs and higher prices as a result.

Pressure on the Scottish budget - Inflationary pressures mean our budget is worth £1.7 billion less than when we set it in December. This means we are facing very difficult choices and will be announcing an Emergency Budget Review soon. We lack flexibility and borrowing powers.

Concern at cuts in government spending – concerned that the Chancellor's statement means there will be significant cuts to public spending, which will impact on our budget.

Impact on Block Grant Adjustments (BGAs) – The budget reversals have meant a changing picture for expected BGAs. It is very important to see the confirmed BGAs from the OBR.

Finance Interministerial Standing Committee – this is now virtual and scheduled for this Thursday, 20 October. We are keen that the meeting goes ahead with the new CST.

Background

The Chancellor's statement today reversed many of the tax changes set out on 23 September. The principal surviving tax measures are the reversal of the National Insurance / Health and Social Care Levy increase, and the increase in Stamp Duty Land Tax (SDLT) thresholds for both home movers and first-time buyers.

The planned 1p reduction in the basic rate of income tax was cancelled indefinitely, which will have an impact on our budget as outlined below.

The statement confirmed that there will be cuts to public spending, which we expect to be set out in the 31 October fiscal event.

[REDACTED]

Biography (from Gov.uk)

Edward Argar was appointed Chief Secretary to the Treasury on 14 October 2022.

He was previously appointed Paymaster General and Minister for the Cabinet Office from 6 September 2022 to 14 October 2022.

He was Minister of State at the Department of Health and Social Care between 10 September 2019 and 6 July 2022.

He was previously Parliamentary Under Secretary of State at the Ministry of Justice between 14 June 2018 and 10 September 2019.

He was elected as Conservative MP for Charnwood in 2015.

Budget and Public Spending Directorate

17 October 2022

Chancellor's statement - request for call with CST Mon 17/10/2022 09:45

From: [REDACTED]

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

CC: [REDACTED]

PS/DFM

As you will be aware the Chancellor will be making a statement at 11am and again in the Commons at 3.30pm.

[REDACTED]

I am aware that today is obviously focused on the economy paper, but you may also wish to follow up with the CST's office as we would normally expect a call between the CST and DFM for a statement of this importance.

Thanks

[REDACTED]

[REDACTED] | Exchequer Intergovernmental Relations | Directorate for Budget and Public Spending | Scottish Government | Victoria Quay, EH6 6QQ |[REDACTED]

FW: Meeting with The Rt Hon Edward Argar, the Chief Secretary to the Treasury on the Economy Mon 17/10/2022 13:03

From: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

To: [REDACTED] Director of Budget and Public Spending; Director of Tax and Revenues

CC: [REDACTED]

Hi everyone

To see below please – possibility of a call between DFM and CST at 1500 today ahead of Chancellor's statement to Parliament.

I would be grateful for a short briefing note, a couple of pages max, on key lines and points to raise please. I will forward the invite to [REDACTED] once confirmed, as official support (as discussed with [REDACTED]).

Many thanks
[REDACTED]

[REDACTED]
Private Secretary/DFM
[REDACTED]

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery
Sent: 17 October 2022 12:55
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Meeting with The Rt Hon Edward Argar, the Chief Secretary to the Treasury on the Economy

Hi [REDACTED]

Thank you for your email. The Deputy First Minister of Scotland would like to accept the invitation for a meeting at 1500 today.

Will you be sending a MS Teams link through to us?

Many thanks

[REDACTED]

[REDACTED]
Private Secretary/DFM
[REDACTED]

[REDACTED]

From: [REDACTED]

Sent: 19 October 2022 16:29

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

Cc: [REDACTED] Director of Budget and Public Spending < >; DG Scottish Exchequer Mailbox [REDACTED]

Subject: F:ISC Brief - 20 October 2022

PS/DFM

Please find attached the briefing pack for F:ISC which is taking place virtually tomorrow and DFM is chairing. The main item on the agenda is on UK Government economic and fiscal priorities with a short item on the budgeting and communications paper.

We have drafted a devolved government news release which can be sent after the F:ISC tomorrow and we're currently seeking agreement at official level on the communique for the meeting which we hope can be agreed between ministers after the meeting tomorrow.

Please let me know if you have any questions or need anything further.

Many thanks,

[REDACTED]

[REDACTED] | Directorate for Budget & Public Spending

Scottish Government | Area 3D-North, Victoria Quay, Edinburgh, EH6 6QQ

Email: [\[REDACTED\]](#)

PART 1D

BRIEFING - DFM call with CST - 27 OCTOBER 1100

Wed 26/10/2022 16:58

From: [REDACTED]

To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]

CC: [REDACTED] DG Scottish Exchequer Mailbox, Director for Budget and Public Spending

PS/DFM

Please see attached briefing for the call tomorrow with CST.

We have just received a response from the CST to the letter that the devolved governments sent to the previous Chancellor on 30 September, and this is attached.

I have also attached the letter DFM sent to the Chancellor last week.

The briefing references the letter from the FM plans to the PM, but this has not yet issued. We can add that once it issues.

Thanks

[REDACTED]

What	Introductory call with the Chief Secretary to the Treasury
Where	Microsoft Teams
When	Thursday 27 October 2022. 11.00 – 11.30
Who	<ul style="list-style-type: none">• John Glen MP, Chief Secretary to the Treasury
Objective	An introductory meeting and opportunity to highlight key issues facing the Scottish budget
Recent SG engagement	<ul style="list-style-type: none">• Thursday 20 October, Finance: Interministerial Standing Committee (F:ISC) with the previous CST (meeting interrupted by the PM resignation)• Monday 17 October quadrilateral meeting following Chancellor's statement with the previous Chief Secretary to the Treasury and Ms Evans (Mr Murphy was unable to attend).
Official Support	[REDACTED]

Background

This is an introductory meeting with the new Chief Secretary to the Treasury, who was appointed on 25 October. We have just received a letter from him in response to the joint devolved governments letter to the previous Chancellor sent on 30 September. This is attached.

You met with the previous CST at the F:ISC meeting on 20 October, which was interrupted by the previous Prime Minister's resignation. Prior to that you had a call with the previous CST following the Chancellor's statement on 17 October.

You wrote to the Chancellor on 19 October and the First Minister wrote to the Prime Minister on 26 October. You also wrote to the previous CST on 20 October relating to financial transactions and some points on this are included on this below.

Points to raise

Working relationship

- [REDACTED]

Current year issues

- [REDACTED]

Autumn statement and Scottish budget

- [REDACTED]

Impact of the mini-budget and spending cuts

- [REDACTED]

Cost crisis

- [REDACTED].

Fiscal framework

- [REDACTED]

Future F:ISC meetings

- The F:ISC meeting last Thursday but was cut short by Liz Truss' resignation.
- Since then, you have come into post and it would make sense to re-schedule that meeting. Hopefully we will be able to agree a date soon as some items on the agenda are time sensitive.

Financial transactions (FTs)

- [REDACTED]

Biography – John Glen MP (from gov.uk)

John Glen MP was appointed Chief Secretary to the Treasury on 25 October 2022.

He was Minister of State (Economic Secretary) to the Treasury between 17 September 2021 and 6 July 2022.

He was also City Minister between 9 January 2018 and 6 July 2022.

He was Economic Secretary to the Treasury between 9 January 2018 and 16 September 2021.

He was Parliamentary Under Secretary of State for the Department for Culture, Media and Sport from 14 June 2017 to 8 January 2018.

He was Parliamentary Private Secretary to Philip Hammond from July 2016 until June 2017.

Political career

John Glen MP was first elected to Parliament as the Conservative MP for Salisbury in 2010.

He previously worked for the Eric Pickles and Sajid Javid as a Parliamentary Private Secretary.

ANNEX - LETTER TO CHANCELLOR – 19 OCTOBER 2022

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

19 October 2022

Dear Jeremy

Congratulations on your appointment as Chancellor of the Exchequer.

I spoke with your colleague the Chief Secretary to the Treasury on 17 October and emphasised the seriousness of the current economic situation. I highlighted the significant impact this is having on the Scottish Government's budget and in turn on vital public services.

In view of the extremely serious situation that we now face, I would welcome the opportunity for an early meeting to discuss a number of priority issues, some of which are outlined below.

I have written to both of your predecessors in the past few months setting out the impact of the cost crisis on households, businesses and our public finances. The situation has become increasingly serious and has been exacerbated by the UK Government paying an additional risk premium on its borrowing costs at a time when interest rates are already rising globally. This has added billions in additional unnecessary debt interest payments and undermined the UK's fiscal credibility.

While I welcome your decision to reverse the majority of the unfunded tax cuts, and your focus on restoring fiscal stability, much of the damage has already been done. Households and businesses across the country are struggling to meet higher mortgage costs and higher costs for a wide range of goods and services.

In previous letters I have called for further targeted support to help households and businesses that are struggling most in the current crisis, funded by taxing the windfall gains in the energy sector. Your announcement of changes to the Energy Price Guarantee will only increase uncertainty for hard-pressed households and businesses and we now need clarity on how support will continue for households, businesses, and other non-domestic properties beyond April 2023. A strengthened windfall tax should be an important source of funding for this support, rather than borrowing and public spending cuts.

The increase in inflation has significantly eroded the Scottish Government's budget, which we calculate is worth £1.7 billion less than when it was set last year. Coupled with the need to support people through the cost crisis, provide fair public sector pay uplifts and support our public services, this places the Scottish budget under an intolerable pressure. I have already had to take difficult decisions to help balance our budget and will announce the results of our Emergency Budget Review later this month. However, I reiterate the call for additional funding to deal with these pressures. Our ability to intervene is severely constrained by both the limitations on the Scottish Government's fiscal powers, which means that our budget is largely determined by UK Government decisions, and the lack of in-year flexibility and borrowing powers to respond to a crisis like the one we now face.

In your statement on 17 October, you made clear that you would be taking "eye-wateringly" difficult decisions on tax and public spending at the next fiscal event on 31 October. With the fiscal hole in the UK's public finances reportedly reaching more than £70 billion, significant spending cuts can be expected despite the £32 billion of savings announced yesterday.

Clearly reductions in UK departmental spending of such a scale would have severe knock-on impact on the Scottish Government's budget and vital public services. The prospect of a new era of austerity is extremely concerning as Scotland has already suffered a decade of austerity that has disproportionately hurt the poorest and most vulnerable in society and resulted in under-investment in crucial public services. It would be unacceptable for people in Scotland to pay the price for recent events and decisions taken by the UK Government.

I look forward to working constructively with you and the Chief Secretary to the Treasury in the best interests of Scotland and would welcome a meeting with you to discuss these issues further.

I am copying this letter to the Chief Secretary to the Treasury, Rt Hon Edward Argar MP, Rebecca Evans MS, Minister for Finance and Local Government in the Welsh Government and Conor Murphy MLA, Minister of Finance in the Northern Ireland Executive.

JOHN SWINNEY

From: [REDACTED] **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery
Sent: 26 October 2022 14:49
To: [REDACTED]
Cc: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED], Director of Tax and Revenues, Director of Budget and Public Spending
Subject: RE: Advice on reconvening F:ISC

Hi [REDACTED]

Thanks for this note. Copying in colleagues who attended the last CST call (17th October), noting [REDACTED] is available to attend.

Grateful if the light briefing for this meeting can be with Private Office by close of play this evening?

Many thanks,

[REDACTED]

Assistant Private Secretary (Diary) to the Deputy First Minister and Cabinet Secretary for Covid Recovery – John Swinney
The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG
[REDACTED]



All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [REDACTED]
Sent: 26 October 2022 14:14
To: Deputy First Minister and Cabinet Secretary for Covid Recovery [REDACTED]
Cc: [REDACTED]
Subject: RE: Advice on reconvening F:ISC

Thanks [REDACTED]

We will provide some light briefing for this. When would you need that by?

[REDACTED]

From: [REDACTED] > **On Behalf Of** Deputy First Minister and Cabinet Secretary for Covid Recovery
Sent: 26 October 2022 13:58
To: [REDACTED] Deputy First Minister and Cabinet Secretary for Covid Recovery
Cc: Director of Budget and Public Spending [REDACTED]
Subject: RE: Advice on reconvening F:ISC

Hi [REDACTED]

For awareness, CST's office have been in touch requesting an introductory meeting with Mr Glen tomorrow – this is confirmed for 11:00.

Thanks,

[REDACTED]

[REDACTED]

Deputy Private Secretary to Deputy First Minister and Cabinet Secretary for Covid Recovery –
John Swinney
The Scottish Government | St Andrew's House, Regent Road, Edinburgh, EH1 3DG
M:[REDACTED]

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