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Dear Colin,

### **Economy and Fair Work Committee Evidence Session**

Thank you for the opportunity to give evidence to the Committee on the City Region and Growth Deals on Wednesday 15 January 2025. I found it to be a very engaging session and a useful opportunity to highlight the positive impact the programme is having across every part of Scotland.

As part of my evidence, I committed to writing on the following two points.

#### **1. The specific funding governance for the City Region and Growth Deal Programme in Scotland.**

The UK Government is investing more than £1.7 billion into the Scottish Deals - £1.5 billion investment in Scottish local authority areas and a further £200 million for English local authority partners on the Borderlands Growth Deal. This funding is matched by approximately £1.6 billion from the Scottish Government and more than £2.6 billion from regional partners, for a total programme value of approximately £6 billion (not including private sector investment).

Deal funding sits in the HM Treasury's (HMT) Reserve, and gets transferred directly to the Scottish Government as a ring-fenced Barnett top-up annually in line with pre-agreed funding profiles for each of the respective Deals in delivery.

The Scottish Government is the formal Government Accounting Officer (AO) for the Scottish Deals programme, with relevant Local Authorities also responsible for local partnership financial management in line with their formal role as Accountable Body. As a joint programme, both governments work closely with local authorities to support the delivery of Deals and provide oversight. The Scotland Office is responsible for this on behalf of the UK Government.

As part of its scrutiny role, the Committee may wish to consider whether to comment on the Scottish Government's fulfilment of its Accounting Officer role in the Committee's final report. However, I recognise this is ultimately a matter for the Committee and the Scottish Parliament.

## **2. The sources of the £14bn funding for AI announced on 12 January 2025.**

As I mentioned, the announcement of the AI Opportunities Action Plan comes as three major tech companies – Vantage Data Centres, Nscale and Kyndryl – have committed to £14 billion investment in the UK to build the AI infrastructure the UK needs to harness the potential of this technology and deliver 13,250 jobs across the UK. This is in addition to the £25 billion in AI investment announced at the International Investment Summit.

Vantage are contributing the majority of the funding – £12 billion – to build new data centres across the UK. This will enhance the AI infrastructure and support the growing demand for AI-powered services. Nscale is investing in the development of advanced AI technologies and solutions, and their investment will focus on research and development, as well as the deployment of AI applications in various industries. Kyndryl are contributing to the AI infrastructure by providing cloud computing services and AI-driven solutions. Their investment aims to improve the scalability and efficiency of AI systems in the UK.

In addition, I would like to take the opportunity to highlight elements from my written evidence regarding local ownership and flexibility within the Deal programme. Local partners - including businesses and communities - are an integral part of the Deals programme. The local partners are enabled to select projects and programmes within the Deal which address specific regional priorities and align with their plan for regional growth, as well as on other priorities such as community assets and the arts.

Each Deal allows an appropriate degree of flexibility throughout its lifetime, acknowledging the length of the Deals and changes to local priorities. Both the UK Government and Scottish Government have been flexible in working with the Deal partners to adjust, re-scope and reprofile their projects in line with changes to their local priorities, needs and affordability.

I look forward to seeing the Committee's report on Scotland's City Region and Growth Deals programme in due course.

*Yours sincerely,*

A handwritten signature in black ink, appearing to read 'Ian Murray', with a horizontal line underneath.

**THE RT HON IAN MURRAY MP  
SECRETARY OF STATE FOR SCOTLAND**