



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Public Administration Committee

**Thursday 18 January 2024**

**Session 6**



The Scottish Parliament  
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Thursday 18 January 2024**

**CONTENTS**

<b>REPLACING EUROPEAN UNION STRUCTURAL FUNDS.....</b>	<b>Col. 1</b>
---	---------------

---

**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**

**3<sup>rd</sup> Meeting 2024, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

**COMMITTEE MEMBERS**

\*Ross Greer (West Scotland) (Green)

\*Jamie Halcro Johnston (Highlands and Islands) (Con)

\*John Mason (Glasgow Shettleston) (SNP)

\*Liz Smith (Mid Scotland and Fife) (Con)

\*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Rt Hon Michael Gove MP (Secretary of State for Levelling Up, Housing and Communities)

Brian Whittle (South Scotland) (Con)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Alexander Fleming Room (CR3)



# Scottish Parliament

## Finance and Public Administration Committee

Thursday 18 January 2024

*[The Convener opened the meeting at 10:34]*

### Replacing European Union Structural Funds

**The Convener (Kenneth Gibson):** Good morning and welcome to the third meeting in 2024 of the Finance and Public Administration Committee.

We have one item on today's agenda, which is to take evidence on the replacement of European Union structural funds in Scotland from the Rt Hon. Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities, and Minister for Intergovernmental Relations, in the United Kingdom Government. Mr Gove joins us online. A very good morning to you and welcome to the Finance and Public Administration Committee.

We have almost 90 minutes for the evidence session. Before I open up the discussion to members, I understand that Mr Gove would like to make a short opening statement.

**Rt Hon Michael Gove MP (Secretary of State for Levelling Up, Housing and Communities):** First, it is a pleasure to appear before the committee again. On the previous occasion on which I did so, I was able to join you in person, so I apologise for joining you virtually today.

I appreciate the critically important work that the committee is doing to scrutinise the Scottish Government's budget and the relationship between the UK and Scottish Government. I welcome the accountability and the chance to answer the committee's questions and provide you, and Scottish voters, with more information about the UK Government's role in promoting levelling up.

As the committee knows, the UK Government has a commitment to investing alongside and with devolved Administrations to improve productivity and access to services, to ensure that every part of the United Kingdom enjoys the same opportunities to grow and flourish.

We have put in place a variety of different funds that operate across the UK. Perhaps most prominent is the levelling up fund, but there is also the UK shared prosperity fund, the community renewal fund, the community ownership fund and

others. We have also established levelling up partnerships with individual parts of the UK, including four in Scotland.

On top of that, we have invested in two investment zones and two green freeports. Those investments were made in partnership with and co-designed by the Scottish Government. The geographical spread and the enthusiasm shown by local government and business in Scotland are testament to the power of the two Governments working together.

Although the UK Government and the Scottish Government have disagreements on issues—most prominently, the constitutional future of Scotland within the United Kingdom—I am pleased to say that there is pragmatic day-to-day working at every level among ministers and officials who remain committed to doing the very best for the people of Scotland.

**The Convener:** Thank you for that opening statement. I will kick off with a few questions, and then I will let colleagues in from around the table.

One of the key issues with the whole levelling up agenda is the actual volume of cash that has been allocated. When I refer to that agenda, I am also talking about the other funding streams that you mentioned. Colleagues will go into some of those in a bit more depth, but how does the money that has been not only allocated to, but actually spent in, Scotland in the past three years compare to what it would have been had Scotland remained in the European Union?

**Michael Gove:** The amount that we have allocated has been allocated more responsively than the way in which EU funds were allocated.

Overall, we are committed to ensuring that the funding that we allocate through the UK shared prosperity fund matches the funding that the EU would have given. A number of EU projects that are in their outworkings are still providing funding. However, overall, our manifesto commitment—which we have kept—is for funding from the UK shared prosperity fund and other funds to match the amount that the EU spent.

I would argue that things such as green freeports and investment zones show a greater degree of overall investment from the UK Government than would have been the case if it was left simply to the EU.

**The Convener:** You talked about an increase in investment, but I did not hear any actual figures for what has been spent in the past three years.

The Institute for Fiscal Studies says that UK departmental budgets in the forthcoming financial year will be less than they were in 2010. That surely does not help that levelling up agenda.

**Michael Gove:** The convener is right that our spending pattern across the whole of the United Kingdom has had to take account of some of the significant inflationary pressures that have come about as a result of global economic factors. However, there is a real-terms spending increase in public spending in our plans across the United Kingdom.

To give specifics, we are spending £52 million on green freeports and £160 million on investment zones. The 24 levelling up fund projects that we have so far are worth £485 million. The amount of UK shared prosperity fund already committed is £212 million, and that will increase in the years to come. The levelling up partnerships that we have are another £80 million, in addition to £140 million for the long-term plan for towns. That is on top of the money that has been committed in the past through city and growth deals, which amounts to about £1.5 billion. There are also some other smaller funds alongside that.

**The Convener:** It has to be said that there seems to be quite a plethora of funds. It is about trying to get a grip on where they all are and how much is actually being spent on the ground, as opposed to being allocated.

One area in which there is no dispute is the significant reduction in the amount of capital that will be available to the Scottish Government for the next five years. According to the Scottish Fiscal Commission, it will reduce by up to 20 per cent. The Deputy First Minister has said that, in real terms, it is more likely to reduce by 11 per cent. Whichever of those figures you accept, capital budgets declining surely works against what you are trying to do with levelling up. In Scotland, we are talking about much more of a reduction in capital than money that is being spent on levelling up.

**Michael Gove:** I will make two points.

First, the overall amount that is given to the Scottish Government for it to spend through the block grant is at its highest level ever, at £41 billion. It is for the Scottish Government to decide—quite rightly—how it allocates that money among its various priorities.

In relation to capital spending, I note that the whole of the UK benefits from the full expensing that was brought in at the budget, which allows capital investment in the private sector in the productive economy to be set against tax. That is a big boost for industry, jobs and investment.

I should also say that some of the capital investment that we have been looking at UK-wide is also contributing to economic growth. Only today, Sumitomo renewed capital investment in the green freeport at Cromarty. That is an example of the Scottish Government and UK Government

working together to unlock capital investment from the private sector that creates new green jobs.

**The Convener:** You are right that the resource budget has gone up by above inflation, if we accept the gross domestic product deflator at 1.7 per cent. However, even with that, capital allocation from the UK Government is declining significantly. That is beyond dispute.

You talked initially about inflationary pressures, which is an important issue. As you know, in October 2021, in my area, we were delighted to be awarded £23.7 million for the upgrade of the B714 in North Ayrshire. That will make a significant difference to the North Ayrshire economy and it was welcomed across the board. I and the local MP both supported it, as did all parties in the local authority.

Since then, inflationary pressures have hit that project hard, and the cost has now increased by more than £5 million. When you came to the committee two years ago and I raised the issue of inflation, you said that the matter would be considered in relation to those projects.

My understanding is that the local authority has been advised that it will not get an increase in funding. Only about 10 per cent has been spent so far, because of all the work that has to be done before such projects are started. In effect, the project has seen a £5 million shortfall. If the UK Government wants—as I am sure that it does—such projects to succeed in cases in which the recipients of levelling up funding have no control over costings because of the construction inflation that we are all well aware of, it should surely step up to the plate and provide the additional funding to ensure that those projects are delivered as originally intended.

**Michael Gove:** That is a very fair point. I will make a few points.

First, local partners are responsible for ensuring that they apply appropriate discipline to any project. There was always a little bit of wiggle room when funding was allocated in the first place, but I take the convener's point that inflation has been high. It helps that it has now come down from 11.1 per cent to 4 per cent, but it is still a significant factor.

The second point is that local authorities can submit a project adjustment request if they believe that the scope of the project needs to be reduced or altered, that the timescale over which it is delivered needs to be extended, or that they need critical additional funding to deliver it. All those issues would be considered on a case-by-case basis.

**The Convener:** Has that happened? Do you have any examples of where that has happened in Scotland?

**Michael Gove:** I know that a number of project adjustment requests have been made by local authorities in England. I do not have a record of any project adjustment requests in Scotland.

**The Convener:** It would be helpful to know that, because there are real concerns that local authorities would then have to allocate money from other capital funds, which are already under pressure, to ensure that those levelling up projects are completed.

10:45

I will move on. The Scottish Local Authorities Economic Development Group—SLAED, which is not to be confused with the 1970s pop group—has submitted information to us and raised a number of issues. For example, with regard to how funding was allocated, SLAED was concerned that no local authority that had been successful in round 1 was successful in round 2 and that that was

“a consequence of a UK Government decision, taken at a late stage in the process, not to approve any bids submitted by a local authority that had been successful in round 1. This gives rise to doubts that the bids selected were not necessarily the best submitted in terms of quality.”

Why did the Government decide to do that? Some authorities are a lot bigger than others, and Glasgow is an obvious example. Glasgow had a number of projects that it wanted to submit because it has a disproportionate number of deprived areas.

**Michael Gove:** Yes; I appreciate that. The whole process of allocating funds has evolved and changed over time. We have taken on board the concerns that local authorities have expressed, as well as the welcome experiences that local authorities have shared with us about the effective working of the process.

We have a formula that seeks to allocate the funds on an objective basis. I think that we have shared some of the details with the committee and I can share more today. The important thing is that, if we look at spending across all three rounds of the levelling up fund, and we also look at the spending that has been allocated through green freeports, investment zones, levelling up partnerships and elsewhere, we have a very good geographical spread across Scotland and a particular concentration on areas of greater deprivation. We assess not just the quality and deliverability of the bid but the metrics, which lead us to decide whether a particular area is important.

Good bids have been funded, including a number of bids in Glasgow and the greater Glasgow economic area. Our plan for towns

involves long-term funding for Clydebank, Coatbridge and Greenock, because we recognise that those communities have all suffered as a result of economic and industrial decline in the past. They are being supported, as well as specific projects in Glasgow. Of course, Glasgow is an investment zone and, as a result, is receiving £80 million to support the work that is being done there. There are also smaller projects going on in Glasgow, including work to revive Drumchapel town centre, that are evidence of our commitment to that broad geographical spread.

**The Convener:** Yes; something like 21 of 32 Scottish local authorities have received awards through the three rounds.

**Michael Gove:** Yes.

**The Convener:** However, Clackmannanshire, which is one of the smallest local authorities—and the smallest mainland local authority, with about 50,000 people—had real difficulties with the timescales for submitting allocations, so it was unable to bid. Clackmannanshire Council said that it is disadvantaged because of its size and the lack of staffing capacity within the local authority. Those kinds of projects do not come up all the time, so the council does not necessarily have officers sitting there hoping that they will.

With regard to other local authorities that have not received funding, some local authorities might, on paper, seem prosperous across the board. East Lothian is an obvious example, because much of East Lothian is very prosperous, but parts of East Lothian are not prosperous at all and the area includes some of the most deprived areas of Scotland. East Lothian Council therefore feels that the metrics that the UK Government is using do not take account of some of those issues.

**Michael Gove:** I think that that is a fair point. As you said, Clackmannanshire is one of the smallest local authorities in Scotland, and East Renfrewshire and East Dunbartonshire are broadly similar in size. There are challenges there, but other local authorities, such as Dumfries and Galloway, that are small in terms of population but not size, have been successful in putting in bids. In a way, Dumfries and Galloway is analogous to East Lothian. It is an area that some people would think is prosperous but it has significant pockets of deprivation, and it has navigated the process successfully.

Every local authority in Scotland received £125,000 in capacity funding to help with bidding. Irrespective of size, that money was allocated to everyone from Highland Council to Clackmannanshire Council. It is legitimate to say that, in the allocation process, a slightly different weighting might have meant, to some people, a slightly more effectively targeted allocation of

funds, but the approach that we have taken balances deprivation overall with a council's ability to deliver.

We also made a specific alteration to the way in which the levelling up fund is allocated to take account of Scotland's needs. One thing that is specific to Scotland when it comes to allocating levelling up funds is dwelling vacancy rates—in effect, depopulation. As we know, the population of Scotland, like that of the rest of the UK, has generally moved with growth from west to east in the past few years. That is why a lot of projects take account of that depopulation factor and dwelling vacancy rates was agreed to be the best proxy for it.

**The Convener:** The Western Isles is one of the most deprived areas of Scotland and the most rural. It is suffering depopulation and has not received any funding. That is an issue.

I will quote what the National Audit Office says:

“The three funds”—

the UK prosperity fund, the levelling up fund and the towns fund—

“have overlapping objectives but were designed and announced at different times, such that local authorities could not align their plans”.

The NAO seems to indicate that UK Government departments were perhaps not speaking to each other in the way that they should have been so that you could get a more complete and rounded picture and resources could be allocated much more effectively and efficiently. Is there some truth in that?

**Michael Gove:** No, I do not think so. Different people will interpret the purpose of the funds in different ways, but they all serve specific and sometimes overlapping purposes, which can be a good thing.

I will take for example a city that I know well: Aberdeen. It was successful in the first round of levelling up funding. That money—£20 million—is going to a significant new city-centre project, which is transforming the old market area just behind Union Street. That is complementary to the work that is being done in Aberdeen and Aberdeenshire through the investment zone funding, which in turn is complementary to the work that is being done through the energy transition zone. They are all examples of working together.

You mentioned the Western Isles. It is true that the Western Isles was not an early recipient of levelling up funding. However, Western Isles Council is now in a levelling up partnership with the UK Government and the Scottish Government, which means £20 million going to the council. In addition, we have backed a number of specific

projects in the region. Money has gone from the shared prosperity fund to Macaulay College, which is a fantastic initiative that helps young people in the Western Isles. Those are all examples of our efforts to ensure that the Western Isles are prioritised for targeted funding because of the challenges that you rightly point out.

More broadly, Western Isles Council—and, for that matter, Argyll and Bute Council, Orkney Islands Council and Shetland Islands Council—plays a big part in our islands forum, which is a UK-wide body that the Welsh Government, Scottish Government, Northern Ireland Executive and UK Government have set up to deal with the specific needs of islands communities. At the moment, we are working together on a shared task and finish group to look at not just ferries, but digital connectivity between the islands and the mainland of Great Britain.

**The Convener:** Thank you very much. I will open up the questioning to colleagues. The first to ask questions will be Liz Smith.

**Liz Smith (Mid Scotland and Fife) (Con):** Good morning, secretary of state. When you were last at committee, back in February 2022, Michelle Thomson, Daniel Johnson and I all asked you about the objective analysis that goes into the decision-making process on who gets money and who does not. On that occasion, you said:

“I am absolutely confident that our assessment is objective.”—[*Official Report, Finance and Public Administration Committee*, 24 February 2022; c 12.]

You also said that you would come back to the committee to explain if we had any concerns about that objectivity and whether people understood the process by which awards were made. Since that time, you will be pleased to hear, we have had some very complimentary comments about the process—in the past year, 13 local authorities said that they were very pleased with it. However, some local authorities have not been successful and they are slightly critical about the fact that there is not sufficient transparency about who gets what and who does not. Can you update us on where we are with that?

**Michael Gove:** Yes, of course. Thank you, Liz.

When it comes to the levelling up fund and the allocation of money, we identify priority areas, and there are three principal metrics that we use initially. The first is productivity, which is gross value added per hour, the second is the unemployment rate among those over the age of 16, and the third is skills. We measure the proportion of the 16 to 64-year-old population without a national vocational qualification or equivalent qualification. Obviously, there are different qualifications in Scotland and England, but we use those as the first set of metrics. Then,



as I mentioned, in Scotland in particular, we have the dwelling vacancy rate—the rural depopulation measure. Those are the principal metrics.

Once we have identified areas, we look at scoring for skills, pay, productivity and health, then we allocate scores to different areas. For the most recent levelling up fund, for all those places that we identified as priority places against the scoring mechanism, anywhere in the UK that scored above 74.25 got money. In Scotland, the threshold was slightly lower, at 72.25.

There are slightly different methods of allocation for the long-term plan for towns. For levelling up partnerships—the money that is going to the Western Isles, the Borders, Dundee, and Argyll and Bute—we worked with the Scottish Government on a shared methodology. It is a composite methodology that incorporates some of the metrics that I have mentioned, in terms of levelling up need, and some information from the Scottish Government related to access to services and depopulation, so the process is transparent.

Of course, some local authorities that have not yet received funding—Angus and Perth and Kinross—are disappointed, which I understand, but we want to work with them because there are other ways in which we can support them.

To take a case in point, Dundee was understandably disappointed not to receive an investment zone or a green freeport, but the objective metrics that we used meant that we could enter into a levelling up partnership with Dundee. I have to say that the Scottish National Party leader of Dundee Council, John Alexander, although he was initially disappointed, has been a very constructive partner in making the case for UK Government investment in Dundee.

**Liz Smith:** That is a helpful update. Would it be your view that, since your attendance at this committee two years ago, there are now better relationships between the UK Government and the Scottish Government, in terms of assessing what those criteria are?

**Michael Gove:** I believe so. That has been influenced by the work of the committee and our engagement with the Convention of Scottish Local Authorities at a corporate level and individual leaders at local government level.

**Liz Smith:** When it comes to those local authorities that are disappointed and which have not been successful, is there a process by which they can be made fully aware of where the criteria were not met and why their bid failed? Do they understand exactly why their bid was not successful?

11:00

**Michael Gove:** I would hope so, yes. Bids will also be assessed on the basis of deliverability, and some people might think that we are taking a more critical view of their capacity to deliver than is actually the case. However, we have a team of UK Government civil servants that is based in Scotland and is led by a wonderful civil servant called Lauren Bruce that will work with any local authority or, indeed, any institution in order to ensure that it understands the bidding process. Obviously, some bids—this is about a smaller pot in the community ownership fund—will be put forward by individual institutions and communities below the local government level. Lauren Bruce and her team also work with them.

There have been some successful bids from communities in Perth and Kinross and Angus. Even though the local authority may not have received the money, the community has. The Rannoch Hub in Perth and Kinross received money—I think that that was around £250,000—because of a successful community-led bid.

**Liz Smith:** Again, that is very helpful.

I would like to raise one further point, if I may. Another question that we had at that time was about the data that were being used to underpin the criteria that you have just spoken about, on productivity, unemployment, rurality and so on. Two years ago, we were a little concerned about the fact that some of that, which came largely from the Office for National Statistics, was maybe not quite the same data that was being used to assess what was happening in the Scottish economy. Has that problem been ironed out?

**Michael Gove:** I hope so. The UK Government and the Scottish Government have a concordat on the use of ONS data. My understanding is that, even though there may be different interpretations of the data, there is a shared database.

I am very keen to ensure that, just as the committee needs the best possible data to scrutinise the Scottish Government's performance, the Scottish Government and the committee get access to our data as well. If the committee feels that there is, for any reason, a better or fairer interpretation of the data by the Scottish Government than by the UK Government, we will take that into account.

**Liz Smith:** Again, that is helpful. It is important that we have the ability to scrutinise whether the money that is awarded is being spent in the right place and whether that is done on an objective and fair basis.

**John Mason (Glasgow Shettleston) (SNP):** Mr Gove, the term “levelling up” suggests to me that areas that or people who are poorer or further

down the scale—or however they are described—should be pulled up nearer the areas or people at the top. That is a real emphasis on need. However, from some of the answers that you have given to Ms Smith and others, there seems to be the idea of a geographic spread of the money that goes out. I wonder whether those two things are compatible. Some people would have expected all the money to go to really needy areas and no money to go to Aberdeenshire, despite the fact that Aberdeenshire might have some pockets of deprivation. How do you square those things?

**Michael Gove:** In a way, you have put the case very fairly. We allocate the money against objective criteria. As you have quite rightly said, the nature of need varies according to geography as well as economic factors.

A point that was very well made by members of the committee the last time I appeared before it was about the way in which EU funding recognised that in the past—hence the significant share of EU funding that went to the Highlands and Islands. That was because of the particular productivity and connectivity challenges that communities there face. However, I would argue that we have seen, particularly, for example, through the long-term partnership for towns and the towns with which we have been working, a recognition that Clydebank, Coatbridge, Greenock, Irvine and Kilmarnock are all communities with enormous talent and potential—I think that we would all agree on that—but they have not always benefited from the broader economic growth that the UK as a whole has enjoyed.

We seek to ensure that funding goes to areas in which productivity has been lower in the past and there is a chance for it to improve. However, we also recognise that, by its very nature, Scotland—like the whole of the UK—has diverse communities that we need to stitch in to the broader pattern of growth and prosperity.

**John Mason:** Is it too early to say whether any of that has been successful? I realise that a lot of the money is still to be spent.

**Michael Gove:** Yes.

**John Mason:** When will we be able to make a judgment as to whether the UK, and some of those communities, have been levelled up?

**Michael Gove:** In our levelling up white paper we set out a series of UK-wide missions, which depend on partnership to succeed. Some in the Scottish Government have criticised the establishment of those missions, but we feel that, as a UK Government, we have a responsibility to set out our ambition for the whole UK, and I think that it is a legitimate area of political debate whether we have set the right missions. We are holding ourselves to account on everything from

educational improvement to improved public health and improving productivity. As we are explicitly saying, we need to show that we are improving the way in which research and development money is allocated outside London and the south-east, for both the public sector and the private sector. For public health, we want to close the gap between the poorer and wealthier areas of the country according to a number of metrics.

I think that most people would agree that the missions that we have set are quite challenging, and we are happy to be held to account for them. On a day-to-day basis, another thing will be delivery. The choice of the Inverness and Cromarty green freeport was driven by a recognition of the various efforts to ensure an industrial presence in that part of the Highlands over the years, some of which have been more successful than others. That is our commitment to ensuring that the skilled workers in that part of Scotland have an industrial future. The good news reported in *The Press and Journal* today suggests that that at least is moving in the right direction.

**John Mason:** I wonder whether the amounts of money involved will make a significant difference. Glasgow is not the biggest city in the UK, but it is fairly large. We got £13 million to upgrade a set of dilapidated stables in quite a wealthy part of the city, and the £15 million for Drumchapel is very welcome. That is £28 million. You have already mentioned the investment zone, too. Those investments are only scratching the surface in Glasgow, however. Would the amounts not need to be a lot higher to make a real impact?

**Michael Gove:** Again, it is important to see things in context. The UK shared prosperity fund is also giving £22 million to Glasgow, and we have committed to some specific investment—alongside the investment zone—in innovation. The Smart Things Accelerator Centre—STAC—is an investment that we have made in Glasgow, alongside the investment zone, in order to stimulate growth.

I take your point about the Pollok stables, but that bid was made by Glasgow City Council, and it was backed by the leader of the council. It will contribute to making the existing ecosystem around the Burrell Collection even more attractive for tourism. That work also contributes to the educational offer. As you know, although that area of the city is relatively prosperous, it is adjacent to areas of significant deprivation.

**John Mason:** You have mentioned the long-term plan for towns, and the seven towns that were chosen, a number of times. Can you say a little more about how the seven towns were chosen?

**Michael Gove:** Yes. We have a set of criteria. We ranked local authorities by levelling up need, using the metrics in the levelling up white paper. The metrics included pay, productivity, skills and health, as I mentioned before. We also considered population size and levels of deprivation. We excluded local authorities without built-up areas within the population thresholds for towns—which is about 20,000 to 100,000. One can always argue for a greater degree of flexibility, but we thought that that was the right way to define a town. The most deprived built-up area within each of the local authorities identified was then selected, using the index of multiple deprivation.

We used the specific Scottish index of multiple deprivation, which I think is derived in a slightly different way from the IMD in England. We then had a cap of no more than three local authorities for each particular region, and the top seven eligible local authorities were selected. The list, therefore, is: Clydebank in West Dunbartonshire; Coatbridge in North Lanarkshire; Dumfries in Dumfries and Galloway; Elgin in Moray; Greenock; Irvine, which is North Ayrshire; and Kilmarnock, which is in East Ayrshire.

**John Mason:** It all seems very complex. Clearly you, the councils and the Scottish Government all have staff doing quite a lot of work on this, with you analysing the figures, councils putting in bids in the competitive process and so on. In retrospect, do you think that having so many funds with so many factors has been the best way of allocating the money? You could have just said, “Well, based on SIMD or whatever, we will top up the housing budget across the UK”, and that would have been pretty welcome in most council areas and would have saved all the analysis and the applications. Would that not have been better?

**Michael Gove:** The work here has been done, for the most part, by the UK Government, with statistics and support from the Scottish Government. However, it is in the nature of levelling up and, indeed, public policy that you need different tools to help different areas. In some parts of the country, there is already a mix of talent and skills, and additional intervention can catalyse that into economic growth. There will be other areas with, say, connectivity issues, and that will be the intervention that will be required to level up.

Again, when Shona Robison is thinking about allocating the money in the Scottish Government budget, she and her team will have to undertake some quite complex trade-offs, but she is doing that to ensure that she can get the right tax mix, as she sees it, and get the right spending interventions, as she and the First Minister see them. Yes, sometimes there is work for local authorities to do in the bidding process, but most

of the assessment work is done by the UK Government, and the work that local government is doing is, in a way, about testing its ability to deliver some of these projects. Without wanting to put words in people’s mouths, I would say that although many in local government will prefer a straightforward allocation process, they also recognise some of the benefits of a competitive process alongside that, too.

**John Mason:** I wanted to touch on one other area. Some of the councils that we spoke to talked about the need for more flexibility on, say, timescales, with East Lothian, for example, saying that it would be good to have a five-year funding model to allow it to plan ahead. On another note, Renfrewshire and Aberdeenshire both said that numeracy was not really a priority for them and that they would have liked to have used the money for literacy or something else. Is there enough flexibility in the schemes?

**Michael Gove:** That is a fair challenge. The first thing is that I would very much like a longer-term approach throughout; indeed, that is one of the things that we are discussing with regard to the current spending review.

I would point out that the Scottish Government’s budget—that is, Shona Robison’s budget—is also a one-year settlement, for reasons that I well understand. That is not a criticism, but just an observation; I am sure that she, like me, would prefer to have a longer-term framework, and we want to work with local authorities in order to achieve that. I note that “Our Long-Term Plan for Towns” explicitly creates a longer—indeed, 10-year—framework, and that is the direction of travel that I would love to be going in, because it would give people certainty about their relationship with the UK Government over that longer term.

On your second question, which was on learning, we are always open to the need for a greater degree of recognition of the lived experience of local authorities.

**John Mason:** Thank you.

**Michael Marra (North East Scotland) (Lab):** Good morning, secretary of state. You have set out some detail of the application processes and assessment criteria for the levelling up fund, the community ownership fund and the long-term plan for towns, which is welcome. Why did the process for investment zones in Scotland diverge so significantly from the process in all those other areas?

11:15

**Michael Gove:** We developed a methodology jointly with the Scottish Government. On investment zones as a principle, there had been

enterprise zones in the past—they were the brainchild of Michael Heseltine—and Enterprise zones were also created at the beginning of the coalition Government. In the brief period when Liz Truss was Prime Minister, she thought about investment zones being spread very far and wide across the UK and being driven primarily by deregulation. Once Jeremy Hunt became chancellor and Rishi Sunak became Prime Minister, we wanted a more targeted approach that was built around areas of research excellence, and we wanted to make sure that, in Scotland, we could align those with Scotland's regional economic partnerships. That is why we developed a shared approach, first with Kate Forbes and then with her successors, to identifying appropriate areas.

**Michael Marra:** In England, an invitation to make applications was published on 2 October 2022, which included guidance for the expression of interest, and those investment zones were announced in the budget on 15 March 2023. In Scotland, there was no bidding or invitation process at all. Neil Gray answered a written question from me in July last year, saying that

“The invitation to host an Investment Zone was not subject to a bidding or application process”.—[*Written Answers*, 20 July 2023; S6W-19604.]

Again, why the divergence?

**Michael Gove:** The divergence was partly because local authorities in Scotland said that they did not want to go through a bidding process. Some local authorities have made the point that the process of bidding can be resource intensive and that, if you put a bid together in a particular way, it can consume scarce resource. That reflects some of the learning from the green freeport process. I believe that a competitive process can be a useful way to test the ability of local government to deliver—

**Michael Marra:** I am sorry to interrupt, but, on that point, you said that local authorities did not want a competitive process.

**Michael Gove:** Yes.

**Michael Marra:** Were all local authorities asked? We have 32 local authorities in Scotland. You are saying that they were asked whether they wanted to bid for enterprise zones and they said that they did not want to. I made a freedom of information request for all correspondence on this, and I did not see any evidence that local authorities were asked whether they wanted to have a bidding process or an investment.

**Michael Gove:** My understanding is that local authorities in Scotland said that they would prefer not to have a bidding process. It is certainly the case that we wanted to deliver enterprise zones in partnership with the Scottish Government, and we

agreed with the Scottish Government that we would score each of Scotland's regional economic partnerships against their economic and innovation potential, their wellbeing economy need and the strength of their knowledge anchors and other sectoral strengths. On that basis, we came to an agreed solution.

Again, I would stress that, with all our levelling up interventions, wherever possible, we have wanted to work with the Scottish Government to find a way to allocate resources appropriately.

**Michael Marra:** Do you not think that it was not even suboptimal but really unacceptable that the selection criteria and process were published only retrospectively—seven weeks after the decision was announced? Again, that is in stark contrast to what happened in the English process.

**Michael Gove:** I do not think so, no. We wanted to ensure that we delivered investment zones relatively speedily, and the choice of investment zones complements the other interventions that we have made elsewhere.

From my point of view, the process is to seek partnership with the Scottish Government wherever possible and to accommodate ourselves to the Scottish Government's priorities. Theoretically, the UK Government could say that it is going to create and direct investment zones in this area or that area, with that geography or this geography, but the Scottish Government has made its own decisions about the economic geography of regional and economic partnerships, so we work with that. To editorialise slightly again, the argument is sometimes made that the UK Government careers around like some sort of economic XL bully dog, deciding what it will do in Scotland willy-nilly, but, in fact, the reality is partnership with the Scottish Government.

**Michael Marra:** You stress the issue of transparency, but I am disappointed that you think it is acceptable for the process not to be published ahead of time. Let me draw you into the speculation around this in a lot of the coverage at the time. The investment zones were allocated in Glasgow, where the SNP is defending seats in the general election, and in Aberdeenshire, where the Conservatives are defending seats in the general election. Do you understand that, in the absence of published criteria and a process ahead of time, you open up both parties—the Conservatives and the SNP—to accusations of the kind that I am making?

**Michael Gove:** All sorts of allegations are sometimes flung, but the fact that the criteria were published means that people can judge the basis on which the allocation was made. I would never want to rule out Conservative electoral prospects anywhere, but we are allocating funds, as I said, to

Clydebank, Coatbridge, Greenock, Irvine and Kilmarnock, and I do not think that they are yet on our target list for the next general election, though hope springs eternal.

I quite understand that folk will speculate about political motivation behind this, but overall, if you look at that spread of investment and some of the areas that we are investing in, there is no electoral benefit for the Conservative Party. There is a benefit for the communities concerned and the whole United Kingdom.

**Michael Marra:** Do you understand my frustration? You mentioned the case of Dundee. Although I am a native Dundonian, I represent the whole of North East Scotland and I am very welcoming of investment in Aberdeenshire and Aberdeen. However, in Dundee we have particular economic need, which you have set out. We also have the finest life sciences university in the UK, which has been top of the research excellence framework for the past 14 years. It is absolutely outstanding and well ahead of any other institutions in Scotland and parts of the rest of the UK.

There is consternation at the absence of published criteria, and there is real local anger. If you had seen the press clippings at that time, secretary of state, you would have understood that. The local paper, *The Courier*, was in uproar at the fact that we had not received a green freeport or an investment zone. Do you want to see from now on, in these joint enterprises between yourselves and the Scottish Government, bidding criteria set out ahead of time so that local authorities can build the right criteria, make the right case and make the argument that I have just made for the particular need of a geography?

**Michael Gove:** I will say two things. First, the criteria were set out and people can judge objectively whether the right decision was made on investment zones according to those criteria. Secondly, the levelling up partnerships were chosen not through a competitive process, but through an allocative process—again, with criteria agreed with the Scottish Government and subsequently laid out. One of the levelling up partnerships that we set up was, of course, with Dundee. Thirdly, there has been UK Government investment in Dundee—most conspicuously and most brilliantly through the V&A. However, it is also the case—you are right—that the University of Dundee and the James Hutton Institute are outstanding higher education institutions, as is Abertay University.

Dundee has a lot going for it, and the levelling up partnership that we have set up with Dundee was, I think, welcomed by the leader of Dundee City Council. There had been some upset beforehand, and I remember not just the front

page of *The Courier* being disappointed that Dundee did not get an investment, but the front page of *The Press and Journal* when Aberdeen missed out on being a green freeport. At the time, the accusation was made that the Government's approach towards Aberdeen was ABBA—anywhere but bloody Aberdeen.

At various points, civic leaders have expressed their desire to ensure that they benefit from UK Government funding. Naturally, when location A wins out over location B, there is a sense of disappointment.

My broader point, though, is that the levelling up programme has resulted in stronger relationships between the UK and Scottish Governments, between the UK Government and local government in Scotland, and between the UK Government and civil society and business. A few years ago there was scepticism about our embarking on that route and using the financial assistance power, but it has now become part of the architecture of the United Kingdom. Although I understand—and share—people's frustration about not winning out, whatever their particular concerns about the process might have been, overall, the act of the UK Government's supporting local government in Scotland has been widely welcomed.

**Michael Marra:** I have to say that I remain sceptical about the process, Mr Gove. On 14 September, Neil Gray told the Scottish Parliament that the selection process and the decision on the investments had been agreed on the same date, 22 June.

If I might test the convener's indulgence, I will close my questioning with a question on spending. We are talking about allocations, but are there not real challenges in getting the money spent by local authorities? Do we not risk replicating the situation with the city deal process, for which applications went in more than a decade ago? Many of those projects across Scotland have not materialised, because that money has not actually been spent in communities. Are you concerned about spend versus allocation?

**Michael Gove:** Yes. We want to ensure that, once money has been allocated, it hits the sides, as it were, and makes a real contribution. That is why, on a recent visit to Aberdeen, I was so pleased to see that both the demolition and the construction work going on just behind Union Street, which you will have seen, is proceeding, through the first round of levelling up funding, in order to enhance the city centre. When I visited Cromarty freeport, I was excited to see the investment that was going in there and the changes that were occurring on the ground. Ditto when I visited Pollok stables and sawmills in Glasgow. We absolutely will work with local

government in Scotland and the Scottish Government to ensure that that cash translates into action.

**Ross Greer (West Scotland) (Green):** Good morning, secretary of state. I want to follow up John Mason's line of questioning on the length of time for which funding is provided. Before I do so, I note that, yesterday, the Welsh Government published a report by the independent commission on the constitutional future of Wales. It included interesting research on public opinion across the UK, including on whether—and, if so, when—the UK Government should spend in devolved areas. Only 5 per cent of people in Scotland thought that it should do so whenever it wanted, while 18 per cent thought that it should not do so normally or without consent but that there might be circumstances in which it should. That is lower than the percentage of people who thought that the UK Government should legislate in devolved areas, which was also quite low.

Regardless of the fact that people welcome funding coming to their area and that many projects have merit, are you not concerned about the core democratic point, which is that people in Scotland—the findings for which are not particularly different to those for England or Wales—do not believe that the UK Government should spend directly in devolved areas? They seem to prefer money being given to the Scottish Government or directly to local authorities to decide how to spend it.

**Michael Gove:** I will make two points. First, as I mentioned earlier, the Scottish Government has £41 billion in the form of a block grant to spend as it believes appropriate. In comparison, although the amount of money that the UK Government is spending is significant and welcome and has been appreciated by folk in local government, the overwhelming majority of public spending in Scotland—excluding that on reserved areas such as welfare and defence—is within the control of the Scottish Government and comes under the scrutiny of the Scottish Parliament.

11:30

The performance of the public services that so many people rely on in Scotland—including the national health service, the education system and the justice system in responding to crime—is affected by money that is in the hands of, and that is spent by, the Scottish Government. I would love to be able to support the Scottish Government in the area of education, for example, but we respect the devolution settlement and the fact that policy setting and spending in that area should be done by the Scottish Government.

However, in relation to the economic development of the UK overall, I think that our partnership with local government and the Scottish Government is a partnership for good. We share an island, a currency and institutions. As I said, the wonderful green freeports in the Highlands and in the Firth of Forth are projects in which the UK Government, alongside the Scottish Government and local government, can use its leverage to make a difference.

It is never the case that we impose spending; we always have willing partners. When Kate Forbes was finance secretary, she did a brilliant job in ensuring that the Scottish Government's interests were represented in the design of the green freeport process.

**Ross Greer:** It is a partnership, but it is not a partnership of equals, because, ultimately, the UK Government decides how its money is spent. Regardless of whether it is spending £100 or £100 billion in Scotland, I am interested in your thoughts on the core point, which is that the vast majority of people in Scotland do not think that the UK Government should be the Government that spends money in devolved areas. If the spending is in reserved areas, it is a totally different issue. The core point is that a lot of the money that we are talking about is being spent in devolved areas. Regardless of whether the individual projects are welcome, the vast majority of people do not believe that the UK Government should be making those decisions. They would prefer the UK Government to give the money to the institutions that people in Scotland have decided should make such decisions—either the Scottish Government or local authorities. Why do you think that only a very small minority of people in Scotland believe that the UK Government should spend in devolved areas?

**Michael Gove:** A very distinguished group of people worked on the independent commission on the constitutional future of Wales, but it is only one poll. You could ask the question in a different way. For example, if you asked people whether they believed that the UK Government should work with the Scottish Government and local authorities to increase prosperity and that the UK Government should use some of its own money to help some of the most deprived communities in Scotland to achieve more, I think that people would say, "Yes—absolutely."

**Ross Greer:** I will move on, because I am conscious of the time.

When John Mason made a point about the length of time for which funding is provided, you compared the situation with the Scottish Government's annual budget. You mentioned having sympathy for the finance secretary, but I point out that the Scottish Government provides

annual funding because your Government gives the Scottish Government an annual settlement. Your Government has the power to give multiyear settlements. If you wanted to advocate for that around the Cabinet table, I think that you would find cross-party support for your doing so.

Some local authorities that gave evidence to the committee said that the three-year funding model for the shared prosperity fund compares pretty poorly with the seven-year funding model for EU structural funds. In particular, they highlighted that the delays in releasing funds meant that, with a lot of projects, there was a two-year dash to deliver. If funding was released only at the end of December 2022, local authorities had only one quarter of that financial year left in which to spend the money, so there was, in essence, a two-year dash to spend it. Do you recognise the concerns that, particularly for multiyear capital projects, two years—or, in the case of the evidence that we received, two and a quarter years—is a very short window of time and that that might not result in best value for money because there is a push to get the money out the door before the deadline?

**Michael Gove:** Yes, I recognise that. Obviously, we recognise that some projects are long-term ones. As I mentioned earlier, our allocation of funding to towns is part of a long-term plan for towns over 10 years. That will help to create a sense of buy-in, with there being community ownership of how the money is spent. If we could move increasingly to that model, that would be great. That is exactly the direction of travel that we want to undertake, but I operate within our spending review envelopes.

I would say that EU funding was often not shaped by communities in the way that our funds have been. We believe very strongly in devolution in its fullest sense and in ensuring that not just the Scottish Government and Scottish local authorities but individual communities are partners. That is what the long-term plan for towns is about, and it is what the community ownership fund is about, too.

**Ross Greer:** In that case, why have you gone for a three-year funding period, not, say, five, seven or 10 years?

**Michael Gove:** Again, where we can enter into longer-term partnerships—as I have said, the long-term plan for towns does just that—we will do so. However, the spending review process has generally operated on a three-year cycle for the UK Government and, indeed, other Governments. If we could embed a greater degree of certainty of funding, that would be great.

I should add that, with investment zones and green freeports, the tax and other benefits that had been put in place for just five years are now in

place for 10 years. Obviously, a future UK Government could change that, but my sense is that the initial scepticism that some had towards the idea of green freeports has been dissipated by the significant investment in renewables and green energy that we have seen. As I have said, when I visited the Cromarty freeport, I thought that it was fantastic to see Scotland retaining its cutting-edge position as a renewables superpower through combined Scottish Government and UK Government investment.

**Ross Greer:** Some of us still retain significant concern about the freeports, but that is a separate debate.

Finally—and briefly—secretary of state, have you ever raised concerns with any of the chancellors with whom you have worked or with Treasury officials that the spending review periods are resulting in the UK Government not getting best value for money and that they are limiting the options in your portfolio to develop multiyear funding models that would provide better value for money as well as greater certainty?

**Michael Gove:** One thing that I have learned is that, if you want to get something out of a finance minister, you do not discuss publicly the conversations that you have had with them.

**Ross Greer:** Having engaged in budget negotiations myself, I can sympathise with that point at least. Thank you.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Good morning, secretary of state. I just wanted to ask a number of questions, particularly about the kinds of projects that are under way. As of 31 March last year, of the 404 projects funded under rounds 1 and 2, 10 had not started; 333 were under way; five had been completed; and 51 were expected to be completed by the end of March this year. How do you measure the progress of such schemes and how that progress compares with previous EU schemes? Obviously, it will be a reflection of the processes that are involved in applications et cetera as well as on-going monitoring.

**Michael Gove:** Yes, we have a programme of monitoring and evaluation. It is also the case that the National Audit Office and other UK-wide bodies look at the effectiveness of our delivery.

I have not drawn any direct comparisons between the speed or effectiveness of delivering our programme and the delivery of EU programmes, but that would be very welcome. One of the strengths of devolution is that we can see how effective partnership working has been in the different parts of the United Kingdom and then learn from each other. As we look at how all these projects have been delivered, we will be able to identify, say, those local authorities in Scotland

that have been much more effective in the operational delivery of capital investment than some of the local authorities in England. I would want to be able to say to my counterparts in England, “Let’s look at what’s happened. Let’s look at the way in which Shetland or Orkney or Aberdeenshire or Dundee has delivered and learn from that.”

**Jamie Halcro Johnston:** And that would be part of a kind of appraisal process that you would be looking at.

**Michael Gove:** Exactly.

**Jamie Halcro Johnston:** I am conscious of the time, so I will move on.

I think that John Mason raised the issue of the flexibility of the processes. I am interested in the flexibility of the cash, and my point probably refers more to the city region deals. For example—I know that you are aware of the subject of the Corran Narrows ferry crossing—the UK Government recently announced that around £20 million of the funding that was part of the Inverness and Highlands city region deal could be used for infrastructure for that crossing, which is vitally important. That was welcomed by Highland Council, but many in the local community were more interested in a replacement ferry. There had already been flexibility in the use of the cash from the UK Government. How much additional flexibility is there in those sorts of schemes? I appreciate that that is a question of working with partners.

**Michael Gove:** I want to give the maximum amount of flexibility. As I think you know, I talked to Highland Council about that and I know that the problems with the ferry are adding more than an hour, at least, to travelling times for people in that part of the Highlands. We know that it would require significant capital investment, but we want to see what can be done.

Obviously, it is the case that, if you give some local authorities additional flexibility above and beyond that which other local authorities have enjoyed, some might say, “Hey, this money came with some strings attached, and we understand that, but now you’re providing a greater degree of flexibility between revenue and capital for that local authority.” However, as you rightly point out, each case is a specific case and, here, we have communities that, in effect, have been reliant on a particular piece of infrastructure. When that infrastructure has been faulty, the daily lives of hundreds, or thousands, of people have been disrupted and, therefore, we want to work with Highland Council to address that.

**Jamie Halcro Johnston:** I suppose that, with that and any other example, that has to be

balanced with not eroding the original objectives and targets of the funding.

**Michael Gove:** Yes, exactly.

**Jamie Halcro Johnston:** You have highlighted the issues around islands and island groups. I am from Orkney, and I am well aware of the importance of the Fair Isle ferry funding as part of the levelling up fund. Shetland Islands Council said that, in essence, that saved Fair Isle as a populated island. You spoke about the islands forum group and the new group that will be looking at islands connectivity and transport in particular. When do you hope that there will be further updates or progress on that?

**Michael Gove:** There should be a meeting of the islands forum in Anglesey in six weeks’ to a couple of months’ time. I hope that we will be able to provide an update then.

Thank you for mentioning the leadership that was shown by Shetland Islands Council. As you said, if it had not been for Shetland Islands Council’s leadership and the commitment that we were able to make through the levelling up fund, the very future of Fair Isle as a populated island would have been under threat. That would have been a terrible outcome for the Shetlands and Scotland overall.

As the committee knows, the issue of ferries is a particularly challenging one. The fact that investment in ferries was made a generation ago means that, across the islands in Scotland, there is a need for new investment in ferries. For Orkney in particular, intra-Orkney ferries require attention, and we have been talking to Orkney Islands Council about that.

With regard to the whole Caledonian MacBrayne fleet, as the committee knows, the Scottish Government has had its challenges. We want to use our resource and analytical ability to look at connectivity overall and see what more could be done to ensure that those island communities get the connectivity that they deserve. I believe that the UK Government has been able to bring to bear an additional level of support for those communities whose economic interests matter so much.

**Jamie Halcro Johnston:** That is very welcome, and I am sure that that will be well received in the islands. Thank you, secretary of state.

**Michelle Thomson (Falkirk East) (SNP):** Good morning, Mr Gove. Thanks for joining us. Is it not the case that the real reason why the money for all these funds cannot match EU funding is that the UK is trading broke? The debt to gross domestic product ratio is nearly at parity and the cost of servicing UK debt interest is £380 million a day. Is



that not the real reason—that the UK is trading broke?

**Michael Gove:** I do not think so. My understanding is that the percentage of UK trade with the EU has—

**Michelle Thomson:** In using the term “trading broke”, I am referring to the debt to GDP ratio. Debt is 98 per cent of UK GDP.

11:45

**Michael Gove:** Yes—so, moving on to debt, as I think the committee well understands, we have the level of debt that we do primarily because of the Covid pandemic. As a polity, the United Kingdom had one of the most generous levels of support for people during Covid. Furlough, Covid business interruption loans and so on meant that we were supporting business and civil society more generously than other countries, and that inevitably created a cost.

As the committee will know, the impact of war in Ukraine and instability in the middle east have had an inflationary effect. I have spoken about the steps that we have taken to reduce inflation, but if we had not had the pandemic, and if there was not a war in Ukraine, Scotland and England would certainly have stronger economies.

**Michelle Thomson:** Of course, that is not actually the case. The UK has been in economic decline, and the figures are quite stark. I note that

“In 1980 the UK’s GDP per capita was in line with or exceeded most advanced economies. By 2019, the gap between UK GDP per capita and the small advanced economies average had increased to 38%”.

That is by the by, however, and I am aware of the time, so I will come on to what I wanted to ask you about today. You have mentioned green freeports a number of times. The important port of Grangemouth is located in my constituency of Falkirk East. You may recall that, the last time you were in front of the committee, I asked you about the role of, and your accountability to, Audit Scotland. One of the concerns that have been expressed about freeports is the possibility of corruption. The regulatory environment is all managed by the UK Government.

I will just flip over to the record of what each of us said on that occasion. You said:

“I am accountable to the UK Parliament, to Audit Scotland”

and so on. I then asked:

“What specific agreement have you made with Audit Scotland in that respect?”

You replied:

“I am waiting for Audit Scotland to make any suggestion to me about what it would like to do”.—[*Official Report*,

*Finance and Public Administration Committee*, 24 February 2022; c 25.]

My first question therefore is whether Audit Scotland has been in touch with you or you have been in touch with Audit Scotland, as to how the green freeports can be given oversight to avoid potential risks of corruption.

**Michael Gove:** I do not think that I have received anything from Audit Scotland myself. One of the benefits of the union is that we have the Scottish Government and the UK Government working together. Both Neil Gray and I have an interest in ensuring that the freeports are successful and that the money that is being spent and allocated is appropriately and publicly accountable.

**Michelle Thomson:** It is for that reason that I am asking. You will of course be well aware of the potential for corruption in Teesside. I noted with interest your decision to exclude the National Audit Office in England in setting up your own investigation. The National Crime Agency suggests that £262 billion is lost to UK GDP each and every year as a result of money laundering and corruption, so you will see my interest in a stated role and full inclusivity for Audit Scotland, so there is no hint of that at the green freeport in Grangemouth.

I will ask this again. Given that Audit Scotland has not been in touch with you—which I will pick up with Audit Scotland—will you share any findings with Audit Scotland as to what, if anything, has gone wrong with the freeport in Teesside?

**Michael Gove:** I think that the committee knows that certain allegations have been made of criminality and sharp practice. That is why we set up an independent inquiry led by independent figures in local government of unimpeachable integrity, who will be reporting on those allegations. I would not want to pre-empt that inquiry, but I would say two things. First, I think that it is fair to say that no one has contested the integrity or appropriateness of the individuals who are conducting that inquiry. Secondly, I think that, in both these parts of the United Kingdom—in England and in Scotland—we should have an even more vigorous exercise of scrutiny, on a shared basis, of how money is spent and how public bodies are performing. I am all for the maximum amount of transparency—sunlight is the best disinfectant.

**Michelle Thomson:** Just for the record, then, there can be no possibility of your avoiding Audit Scotland’s scrutiny of any potential risks associated with green freeports in Scotland and you will not seek to exclude it as you have done with the National Audit Office in England.

**Michael Gove:** Well, I did not seek to exclude the National Audit Office. I wanted to make sure—

**Michelle Thomson:** Well, it is not involved, is it? It is playing a very limited role in the current inquiry when it should be leading it—and, certainly in Scotland, I would expect any such inquiry, if it came to pass, to be led by Audit Scotland. I appreciate that that is hypothetical, though.

**Michael Gove:** I think that there are two things here. First, the National Audit Office actually has a broader capacity for scrutiny of the actions of the UK Government than Audit Scotland does of the Scottish Government—I think. However, that is a matter for the Scottish Government and Audit Scotland, not for me. The Teesside allegations are being investigated very rigorously by, as I have said, figures of unimpeachable authority.

One thing that one cannot ignore is the element of small-p politics here—indeed, large-P politics. Allegations were made about the Teesside freeport by some people who were critical of the mayor of Tees Valley and who were, in fact, opposed to the freeports themselves. For example, there were allegations about dredging leading to crustacean deaths and so on. Subsequent investigation showed that that was all nonsense and that the crustacean deaths were due to entirely separate factors.

As we both know, sometimes in politics people will pick up a stick or make an allegation in order to make a political point, but I am as confident as confident can be—although I do not want to preempt the inquiry—that Ben Houchen is doing a great job and that the freeport in Teesside is a success. I am also confident that the freeport from which your constituents benefit will go on to be a success, just as the freeport in the Highlands will be a success, too.

**Michelle Thomson:** For the record, just before I leave this—I know that the convener wants to come back in—you will submit yourself to the full scrutiny of Audit Scotland if it looks under the covers of what is happening in any green freeport in Scotland. Just a simple yes or no will be fine.

**Michael Gove:** Absolutely, 100 per cent yes.

**Michelle Thomson:** Thank you very much.

**The Convener:** Given that no one else has mentioned the multiply programme so far, I thought that I would touch on it.

Secretary of state, you have talked a lot about partnership working, but South Ayrshire Council, a Conservative-led authority, has said:

“the allocation for Multiply which accounted for over 17% of ... UK”

shared prosperity fund

“resources, was ring fenced ... it is doubtful whether South Ayrshire Council would have determined such allocation if it had been given discretion on this matter. The programme could have been more effective by aligning and combining both numeracy and literacy interventions. The Multiply financial allocations follow an even pattern. It will be challenging to spend”

even

“one third of our Multiply allocation”.

Surely, if there has been partnership working and not imposition, as you have said, that situation with a Conservative authority would not be happening.

**Michael Gove:** You are right that South Ayrshire has expressed that concern. Indeed, a previous question—I cannot remember whether it was from Michael Marra or from John Mason—touched on the fact that Aberdeenshire and Renfrewshire had raised similar concerns.

The overall purpose of the multiply programme, which is to deal with one of the big problems that we have across the United Kingdom—that is, the relatively poor adult numeracy in some communities—is, I think, a great national endeavour. However, we learn from doing, and if we can build an evidence base to show that some of the levelling up funding allocated through multiply could be better allocated through other interventions, we will absolutely look at that.

The aim of multiply is not to address what is happening in our schools at the moment—that is not what I am talking about. I am talking about the inherited issues that some have with regard to being fully confident, particularly in a world where numeracy is becoming more and more important.

**The Convener:** It is becoming more important, but it seems odd that the UK Government should even be involved in the multiply initiative, given that education is completely devolved. If we are honest, it has not been brought in through partnership working. The UK Government has decided that it is going to impose it on Scotland, and that is it. I cannot think for a single minute that the Scottish ministers said, “Oh, that’s a great idea.” They would have been happy if you had allocated additional funding through the block grant that they could spend on education, but to come in and impose something on which even Conservative authorities do not believe they can fully utilise the allocated resources is clearly a concern.

**Michael Gove:** That is a series of fair points. First, as I mentioned, this is a not an intervention in schools but an intervention in skills. There is a distinction there, because it is directly related to our broad levelling up objectives and economic growth and development. Secondly, South Ayrshire Council and others have made the point

that it has been difficult to deliver all the funding that has been given. Again, that argument could be interpreted in different ways—one could be a lack of flexibility, and another could be overgenerosity in the area. We will learn from that and try to develop a new approach. The third thing—

**The Convener:** I certainly do not think that accusations of overgenerosity would come from any source, but there certainly could be accusations of a lack of flexibility.

**Michael Gove:** The final thing that I would say, if you will forgive me, convener, is that the debate about skills and education is a hot topic. I have strong views on it, and I do not want to labour them in this committee, but I want to make sure that we can learn from each other—that Scotland, England, Wales and Northern Ireland can learn from each other in schools, skills and higher education. In higher education, UK Research and Innovation operates on a UK basis.

Given the challenges that the United Kingdom and the next generation face, having a proper civilised conversation about what is working and what is not working in our different jurisdictions in education is a good thing. As I say, that is not for me to decree—quite the opposite—but it is in all our interests to have that conversation.

**The Convener:** I have to say that, unlike in England, as has been pointed out by academics on the cross-party group on life sciences, which Michael Marra and I are members of, all the Scottish universities work together in partnership, but the English ones do not.

**Michael Gove:** Yes, absolutely.

**The Convener:** I am quite sure that they would be willing to work cross-border.

We have to finish at noon, so we have only a couple of minutes left, but I will say one final thing before I wind up. Zoe Billingham, director of the Institute for Public Policy Research think tank, said that the National Audit Office report on levelling up includes

“a litany of missed deadlines, moving goalposts and dysfunction in the way levelling up funds have been allocated to councils as part of the government’s flagship programme.”

In Scotland, we have also had the imposition of the United Kingdom Internal Market Act 2020, which means that it cuts across devolved policy. To give you the final word, secretary of state, what will you do differently to ensure that levelling up is much more impactful and effective for those it is trying to assist?

**Michael Gove:** I look forward to this committee’s recommendations and the feedback from local government. We have already improved

the way in which we interact with local authorities through the project adjustment request that I mentioned earlier, which allows people a greater degree of flexibility. We are learning that, while still keeping a competitive element, having a more allocative approach in some of the projects helps. We are also learning from work on the ground.

Sometimes good practice on the ground that we can advertise and spread will help overall. We have just been touching on the multiply programme. Perth and Kinross Council has been using multiply funding to give support to young entrepreneurs, because a lack of full numeracy was the reason for business failure. The success of Perth and Kinross in using multiply funding is one way of spreading good practice, much as the success so far of Aberdeen City Council in using its money for urban regeneration will help us to spread good practice elsewhere and the success of Roy MacGregor and the team behind the Cromarty freeport will help us elsewhere.

Yes, the UK Government has lessons to learn, but those lessons are best learned from practitioners on the ground in local government and in business.

**The Convener:** Thank you very much for your time, secretary of state—it is appreciated by members of the committee. We hope that you will come back to the committee in the near future. We had hoped to see you in October 2022, and it has been a long time since then. It would be wonderful to see you in person, and we could go into some of these subjects in greater depth. The Scottish Parliament has an important role to play in relation to scrutiny and transparency of the funding, and the committee looks forward to continuing its work with you.

**Michael Gove:** Thank you very much, convener, and I hope to be in Holyrood soon.

**The Convener:** Thank you. I call this meeting to a close.

*Meeting closed at 12:00.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

---

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---



The Scottish Parliament  
Pàrlamaid na h-Alba