Linda Fabiani MSP  
Convenor  
Scotland Bill Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP  

Our Ref: SO/EW  

September 2011  

Dear Linda,  

We are looking forward to appearing before your Committee on Thursday 8 September. Your Committee in the previous Scottish Parliament published its final report in March 2011, which led to an overwhelming vote in support of the Scotland Bill in the Scottish Parliament for the Legislative Consent Motion.  

The UK Government engaged constructively with the previous Scotland Bill Committee, submitting written evidence and attending evidence sessions. We look forward to continuing strong engagement with your Committee.  

As you are aware the Coalition Government is implementing the recommendations of the Commission on Scottish Devolution’s report Serving Scotland Better: Scotland and the United Kingdom in the 21st Century (the “Calman Commission”). This reflects the Government’s determination to ensure that the Scottish Parliament is empowered to meet the needs of Scotland and that it is properly accountable to the Scottish people, whilst securing its future as part of the UK.  

The Scotland Bill provides the legislative vehicle for taking forward those recommendations that need primary legislation. For those recommendations not requiring legislation, the Command Paper published alongside the Bill sets out implementation of the whole package. The Bill was introduced in the House of Commons on St Andrew’s Day 2010, and has its Second Reading in the House of Lords on 6 September 2011.  

On 13 June 2011, the Chancellor and the Secretary of State for Scotland announced changes to the Scotland Bill and accompanying package that will further strengthen Scottish devolution and provide greater financial responsibility to the Scottish Parliament. These were detailed in the Written Ministerial Statement (WMS) which was tabled alongside a set of amendments to the Bill ahead of Report Stage in the House of Commons. The WMS is attached at Annex A. The Chancellor and I wrote to the newly reformed Scotland Bill Committee on 13 June to draw these changes to your attention, for ease of reference the key changes are set out below:
Changes and additions to the finance package:

- Bringing forward to 2011 pre-payments, a form of ‘cash advance’, to allow work on the Forth Replacement Crossing to begin;
- Removing the requirement for Scottish Ministers to absorb the first £125m of tax forecasting variation within their budget, giving Scottish Ministers more flexibility to decide how best to respond to any variations in tax receipts compared to forecasts;
- Allowing Scottish Ministers to make discretionary payments into the Scottish Cash Reserve for the next 5 years, up to an overall total of £125m, to help manage any variation in Scottish income tax receipts compared to forecasts in the initial phase of the new system;
- Introducing a power in the Scotland Bill which will enable the Government to amend, in future, the way in which Scottish Ministers can borrow to include bond issuance, without the need for further primary legislation. The Government will conduct a review of the costs and benefits of bond issuance over other forms of borrowing, and will consider extending Scottish Ministers’ powers where this does not undermine the overall UK fiscal position or have a negative impact on total UK borrowing.

In addition a number of changes were made to the non-financial sections of the package:

- Enabling Scottish Ministers to approve the appointments of MG Alba board members;
- Providing for reciprocal consultation between UK Ministers and Scottish Ministers when either makes changes to electoral administration that impact on their respective responsibilities;
- Devolving to the Scottish Ministers the responsibility for taking forward orders disqualifying persons from membership of the Scottish Parliament under section 15 of the 1998 Act;
- Implementing the findings of the Expert Group appointed by the Advocate General to consider the working of the Scotland Act in relation to devolution issues concerning the Lord Advocate as head of the system of criminal prosecution in Scotland;
- Strengthening inter-governmental dialogue in areas of mutual interest in welfare.

Based on the evidence received so far, the Government continues to believe that the package set out in the Scotland Bill and the supporting Command Paper meets the objectives of strengthening Scottish devolution within the United Kingdom and in particular providing strong financial accountability to the Scottish Parliament.
As you are aware, during the First Minister's address at the opening of the Scottish Parliament he set out six requests for further changes to the Bill. These are listed below:

- Devolution of corporation tax
- Devolution of excise duties
- Devolution of the Crown Estate
- Increased borrowing powers
- Increased EU representation
- Increased devolution in broadcasting

Some of these issues were considered and rejected as part of the Calman process on the basis of a careful consideration of the evidence. However, the Government has committed to consider carefully all six requests for devolution, and asked the Scottish Government to set out detailed proposals.

In my Third Reading speech in the Commons on 21 June, I set out the three tests that any amendments to the Scotland Bill must meet:

- Proposals must be evidence based, backed by detailed analysis including how the proposal delivers responsibility and accountability;
- Proposals must demonstrate that clear benefits will be delivered to Scotland without prejudice to rest of UK; and
- Proposals must generate cross-party consensus

To date, the Scottish Government has published four papers, on the devolution of the Crown Estate; devolution of Broadcasting; further borrowing powers; and an increased role for the Scottish Government in EU representation. On Corporation Tax, the Scottish Government has published a consultation paper but not yet submitted any proposals. We are also awaiting sight of proposals on excise duty.

The requests were presented as a package by the Scottish Government. At the appropriate time the Government, therefore, will issue a response to the package as a whole. We made this clear in our correspondence with the Scottish Government and our public statements.

As part of our consideration of the requests presented by the Scottish Government we will wish to review and assess the evidence provided to your Committee, as well as our own assessment and evaluation. We look forward to following your Committee sessions closely over the coming weeks.
Finally, I would like to close by turning our attention to the genesis of the Scotland Bill. The Calman Commission was established with cross-party support by the Scottish Parliament, and set up with the previous UK Government. Consensus was established on the final report of the Commission; the consensus supported the introduction of the Scotland Bill; and supported the changes made by the Government in June to the Scotland Bill and Calman package.

The Government remains committed to taking forward the Bill with wide-spread support from across the political spectrum and civic Scotland.

I look forward to discussing these, and other issues, with you on Thursday.

Yours sincerely,

Michael

Rt Hon MICHAEL MOORE MP
SECRETARY OF STATE FOR SCOTLAND