Dear Adam

Following the formal establishment of a new Scotland Bill Committee in the Scottish Parliament, we are writing to advise you that the Commons Report stage and Third Reading of the Scotland Bill is scheduled to take place on 21 June.

We have been considering carefully the recommendations made by the previous Scotland Bill Committee and the Scottish Affairs Committee in the UK Parliament. The measures set out in the Scotland Bill are part of the Government's overall package of reforms to strengthen Scottish devolution within the United Kingdom, and in particular to provide financial accountability to the Scottish Parliament.

The Scotland Bill delivers the commitment set out in our Coalition Agreement to 'implement the recommendations of the Calman Commission'. The Bill has the support of the pro-UK parties in both the UK Parliament and the Scottish Parliament. Prior to the recent Holyrood elections the Scottish Parliament, including the Scottish Government, voted in favour of the measures set out in the Bill.

We are writing formally to advise you and your Committee that the Government has tabled a Written Ministerial Statement today setting out a set of amendments to the Scotland Bill package further to strengthen Scottish devolution.
These amendments will ensure that Scottish Ministers have greater flexibility to exercise their new powers effectively, by:

- Bringing forward pre-payments to 2011 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 five 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; and
- 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 will be made to the non-financial sections of the Scotland Bill package, by:

- 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 power to make an order disqualifying persons from membership of the Scottish Parliament;
- Implementing the findings of the Expert Group appointed by the Advocate General to consider the working of the Scotland Act in relation to the role of the Lord Advocate as head of the system of criminal prosecution in Scotland. The amendment was published in draft on 8th March for comment and, with some technical revisions, will now be tabled; and
- Strengthening inter-governmental dialogue in areas of mutual interest in welfare

Taken together these set of amendments to the Scotland Bill package demonstrate the Government’s commitment to deliver serious and positive benefits for devolution.

As you are aware the Scotland Bill package has been developed over many years and is the product of widespread cross-party and cross-Parliament consensus. The UK Government engaged constructively with your predecessor Committee in the last Scottish Parliament and looks forward to continuing this engagement with the new Committee.
You will be aware that the Scottish Government has indicated it has further proposals to make in a number of areas. Some of these have already been considered and rejected as part of the Calman process on the basis of a careful consideration of the evidence. Nevertheless, the UK Government has committed to listen carefully to any detailed proposals supported by robust evidence that are put forward by the Scottish Government.

The Scotland Bill represents the largest transfer of fiscal powers to a Devolved Government and will proved the Scottish Parliament and Scottish Minister with more powers, more accountability and better equip them to respond to Scotland's needs within the United Kingdom. We look forward to working with your Committee during the remaining stages of the Bill.

We are copying this letter to David McLetchie, who served on the first Scotland Bill Committee.

Rt Hon George Osborne
Chancellor of the Exchequer

Rt Hon Michael Moore
Secretary of State for Scotland