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21 July 2023

Dear convener,

Thank you for your letter of 21 June on behalf of the committee. That letter refers to the Scottish Government's approach to preparing and submitting financial memoranda, and contains specific reference to Stage 1 proceedings on the Children (Care and Justice) (Scotland) Bill.

In relation to that Bill, much of our substantive further thinking and detail on proposed forward action is set out in the Scottish Government's response to the Committee's Stage 1 report, sent on 20 June. Of course, these matters also featured in the Stage 1 debate of 22 June.

As our 20 June response document confirms, the Scottish Government is aware of the Finance and Public Administration Committee's Stage 1 scrutiny. Indeed, I appeared at that committee on 9 May. I gave evidence regarding the Financial Memorandum (FM), which was prepared in 2022 and accompanied the Bill at its December 2022 introduction.

You will be aware that the Scottish Government's response to your lead committee's Stage 1 report also outlines plans to update annual outputs from 2022-23 datasets, and to refresh forecasts to help ensure these are as up-to-date and comprehensive as possible. We are also committed to taking account of any new evidence that may emerge, or any fresh data that may be published, during Parliamentary consideration. Officials are currently working with delivery agencies and other affected partners to prepare supplementary financial forecasts. These will reflect where 2022-23 data has published, and be broadened where possible to include domains and services that have proven to be of interest to the committee during Stage 1. Our intention is to produce and submit that supplementary financial information before Stage 2 commences. I hope that reassurance is helpful and welcome.

As advised across Stage 1, the Scottish Government engaged widely on demand data and forecasts last year. The material from the original FM reflects information submitted to us directly by the responsible agencies.

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In addition to our full public consultations on the Bill's policy proposals in 2020 and 2022, extensive engagement took place with a host of partners and stakeholders ahead of introduction. The FM therefore contained the best data and forecasting available to us as at autumn 2022.

I accept that the Stage 1 process has brought some helpful additional detail to light, that the passage of time has meant that newer and better data will now be available to us, and should therefore be made available to Parliament. Furthermore, deliberations in both committee and the chamber have served to illuminate Members' desire for updated and expanded information. Wherever possible, we will endeavour to meet those expectations within the timing and publication constraints.

During the debate, I referred to the Bill's implementation group, comprising over 35 stakeholders, which began its work on 5 June. That group will meet again on 1 August, with a particular focus on refining and updating demand data for supplementary cost forecasts. Now that Parliament has agreed to the general principles at Stage 1, this renewed engagement will intensify. We will work with delivery partners to home in on updating finances directly required for the Bill proposals. Discussions will also extend to the resourcing landscape for areas where services are not directly impacted by the Bill, but are of clear relevance. We expect that activity to contribute to planning for the 2024-25 annual Scottish Government budget exercise.

This dialogue will enable us to explore resource and capacity requirements in more depth to support the production of supplementary financial information for Parliament. We will also co-design proposed commencement plans with partners, alongside other significant governance and oversight measures.

Your letter also references the FM accompanying the National Care Service (Scotland) Bill. Of course, I am not the Minister with lead responsibility for that proposed legislation. However, I can confirm that the Scottish Government remains committed to ensuring that every Financial Memorandum is compliant with the requirements set out in Standing Orders Rule 9.3.2 and in the Finance Guidance Note in the Scottish Public Finance Manual. Although financial memoranda do not extend to covering the affordability of the costs of any Scottish Government Bill, estimates of costs (and benefits), regardless of budgetary considerations, are based on the best available information at the time of publication at introduction. These estimates/forecasts could change materially as the Bill progresses through Parliament, once key decisions are taken, and detailed plans are developed.

The Scottish Government actively update and refine costs (and benefits) as part of each legislative process, and these are reflected in a revised or supplementary Financial Memorandum at Stage 2 (or following Stage 2).

At a general level, I can reassure the Committee that the Scottish Government will seek to ensure that financial memoranda provide comprehensive and sufficient detail on affordability and best estimates of Scottish Government Bill initial costs, through discussions with its Finance Business Partners.

The Scottish Government will also include projected timescales over which such costs would be expected to arise, and indicate financial consequences, with the margins of risk and uncertainty in such estimates, to enable Parliament to come to a view on their robustness.

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I have copied the Minister for Parliamentary Business into this reply. I look forward to further dialogue with the committee on scrutiny plans regarding the Children (Care and Justice) (Scotland) Bill.

I hope the foregoing information and reassurance is helpful.

Yours sincerely,

**NATALIE DON**

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