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Dear Daniel,

At the Finance and Public Administration Committee Pre-Budget Scrutiny session on 4<sup>th</sup> October, I agreed to write to the Committee to clarify the following matters raised by Michelle Thomson, MSP, and Ross Greer, MSP.

Ms Thomson asked if there have been any further discussions around the Proceeds of Crime and how this interacts with the Scottish Budget, in terms of the loss of GDP.

- In January 2017 the UK Government agreed that the cap on Proceeds of Crime Act (POCA) receipts in Scotland was to be removed in line with a Smith Commission recommendation. Therefore, Scottish Government retain all POCA receipts in Scotland from 2017-18 onwards.
- The Committee will wish to note that monies from proceeds of crime are re-invested back into Scottish communities through the CashBack for Communities programme to support young people most at risk of being involved in antisocial behaviour, offending or reoffending into positive destinations.

In respect of the question that Mr Greer asked on “how the interest rate is set for the National Loans Fund”, I can advise the following:

- The Scottish Government borrows directly from the National Loans Fund which updates its interest rates daily at 9am based on UK Gilt yields. Scottish Government Loans are priced at eleven basis points above the equivalent par Gilt yield which is then adjusted for the structure of the loans.



- The Scottish Government estimates future borrowing costs by calculating the forward rates implied by current Gilt yields and adds a margin of 50 basis points for prudence. These estimates are updated regularly and factored into budget and spending review plans.

I hope that this information is useful to the Committee.

**JOHN SWINNEY**

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