

F/T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Kenneth Gibson MSP  
Convener  
Finance and Public Administration Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

By email to: [fpa.committee@parliament.scot](mailto:fpa.committee@parliament.scot)

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16 May 2025

Dear Kenneth,

Thank you for your letter of 14 May. I appreciate the Committee's concerns at the decision to delay the publication of the Medium-Term Financial Strategy (MTFS), which I recognise creates difficulties for your proposed scrutiny of the strategy. It is unfortunate that we have had to take this decision and I am happy to set out the reasons for the delay in more detail.

Firstly, let me say that I am pleased that the Scottish Fiscal Commission (SFC) has decided to proceed as planned and publish their economic and fiscal forecasts at end of May. It is the funding outlook and the analysis of the scale of the fiscal challenge which require to be delayed until after the UK Spending Review (UKSR).

Following the commitment to reset the relationship between the Scottish and UK Governments after the UK General Election last year, we have seen welcome improvements in information sharing and I was optimistic that the approach to the UKSR would build on this and demonstrate a genuine willingness to work together. I expected, when I originally set the date for the MTFS, that we would have had more extensive dialogue on our priorities and a clearer understanding of the UK Government's intentions for their Spending Review, but this has regrettably not been the case.

The final decision to delay publication until the end of June was taken by me after a meeting between the Devolved Governments and Chief Secretary to the Treasury (CST) on 24 April 2025, where the CST was unwilling to commit to further substantive intergovernmental Ministerial engagement and bi-lateral meetings in advance of the UKSR. I had until then expected to have further ministerial discussions during May, which I understood the CST was committed to. These would have provided critical opportunities to set out policy priorities and material considerations that will impact Scottish finances and budget planning, and to secure greater certainty over the funding envelopes that we would expect. It is regrettable that the

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CST has not been able to make time to meet further with devolved governments on these important matters.

Secondly, the CST was unable to provide clarity on the prioritised spending departments beyond what was already in the public domain for defence spending and information about the percentage reductions that UK Departments had been asked to consider within their spending review bids. The Prime Minister's announcement on the prioritisation of defence spending was a significant development, which came after my original decision on the date of the MTFS, and is likely to impact on spending review outcomes for UK Departments, with consequential implications for devolved budgets. The CST indicated that he would be having bi-lateral negotiations with Whitehall departments, but that we would not receive any further indication of the settled position until 11 June. Clearly, devolved budgets will be very much dependent on the outcome of these discussions.

Ultimately, the best we could have hoped for was for the Treasury to provide some indication of the accuracy of the current funding assumptions that we were proposing to use in the MTFS. However, we were not confident that Treasury officials would be in a position to provide feedback until much later in May, or even early June, once spending review outcomes had been settled for UK Departments.

Taken together, I did not consider this to provide a sufficiently robust basis on which to formulate and publish our funding assumptions ahead of the UKSR. My confidence that we would have sufficient information to enable us to publish the MTFS in May was significantly diminished by the lack of meaningful engagement and I was of the view that there was a high risk that our funding assumptions might need to be substantially revised only a few weeks later.

In the context of a very volatile macroeconomic climate, I feel I should do all I can to publish the most accurate and up to date information so as not to risk further confusion and information that will be quickly out of date. The balance of these factors led to the decision to defer the publication.

I am very mindful of the impact on the SFC and the publication of their forecasts. When Professor Graeme Roy, Chair of the SFC, wrote to me confirming that the SFC would continue to publish forecasts on 29 May, he stated that he saw "no reason to delay". It is clear that this referred to the publication of their own forecasts, rather than the MTFS. We have been in close contact with the SFC and, as Professor Roy made clear in his letter, all the necessary engagement with the Scottish Government has taken place, enabling them to go ahead with the forecasts. I am grateful to the SFC for their constructive approach to the delayed publication of the MTFS and we will continue to work closely with them. I look forward to receiving both the forecasts on 29 May and their update report that will accompany the MTFS.

On the Public Service Reform (PSR) Strategy, I can confirm that it will be published in June, as committed to in the Programme for Government, and it will set out further detail on the vision and priorities for reform.

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I appreciate the implications that this will have on the Committee's own work programme, and I welcome the opportunity to meet with the Committee to give evidence on 2 September and again towards the end of October, as proposed.

I hope the reasons set out in this letter explains my thinking to the committee.

I look forward to our session on Tuesday 20 May.

Yours sincerely,

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