



The Scottish Parliament  
Pàrlamaid na h-Alba

## Finance and Constitution Committee

David Gauke MP, Chief Secretary to  
the Treasury

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6 October 2016

Dear Mr Gauke,

I am contacting you with regard to recent communication between my Clerks and your officials regarding the invitation to you to provide evidence to the Finance Committee following the Autumn Statement. It is my understanding that your officials have suggested that you would not be able to provide evidence to the Finance Committee as it was considered that the implementation of the Scottish Government's fiscal framework is the responsibility of the Scottish Government.

However, there are a number of specific areas on which it would be useful for the Committee to hear from you in relation to the inter-governmental elements of the fiscal framework. These are as follows:

### **Data Sharing**

Paragraph 77 of the technical annex to the fiscal framework states that both governments will work together to ensure that the Scottish Government and Scottish Fiscal Commission will "have access to the necessary data, information and models held by the UK government to support policy development and produce forecasts of a comparable quality to those produced by the OBR." The Cabinet Secretary for Finance and the Constitution advised the Committee on 1 September 2016 that "good progress has already been made" and that the Committee "could also ask the Chief Secretary to the Treasury to give evidence on this or any other topic."

The Committee would, therefore, wish to hear from you on the progress which has been made in ensuring that both the Scottish Government and the Scottish Fiscal Commission will have access to the necessary data. Two points here are worth highlighting: timing and transparency. It is essential that this data is made available timeously in order to maximise the time available for parliamentary scrutiny and that this data is published while recognising the need for taxpayer confidentiality.

## **Block Grant Adjustment**

The Scottish budget depends from now on not only on the block grant, but also on the block grant adjustments and the revenues from devolved taxes in Scotland. While the Committee will be able to hold the Scottish Government to account for the revenues raised from taxes devolved to Scotland our understanding is that the block grant including the annual adjustments remains a matter for the UK Government. It is, therefore, essential that we are able to question a UK Treasury Minister on the workings which inform the annual adjustments to the block grant.

## **UK policy change**

Any significant policy change at a UK level may also have an impact on the adjustments to the block grant. There are two elements to this. First, there is the impact on the Barnett formula of any significant policy change on spending areas which are devolved. This may result in Barnett consequential for Scotland's budget. Second, there is the impact on the adjustments to the block grant of any significant policy change at the Autumn Statement on a tax that is devolved to Scotland, such that UK tax receipts from the tax in question change in the year ahead. For example, the announcement in the Autumn Statement 2015 of the introduction of a levy on top of standard stamp duty land tax rates in respect of additional homes.

The Committee would wish to hear from you on the impact of any significant policy change at a UK level on both the Barnett formula and the annual adjustments to the block grant.

## **Reconciliation Process**

The technical annex to the fiscal framework states that the "forecasts of UK government tax receipts used to determine the block grant adjustments will also be reconciled to outturn." The block grant adjustment in relation to income tax will be recalculated on the basis of outturn data which should be available around 15 months after the end of the financial year. It would be helpful for the Committee to hear from you on how this process will work in practice. For example, will there be any outturn data published on a monthly basis which will provide some indication of the level of receipts against the forecast.

More generally, the fiscal framework as an inter-governmental agreement between the Scottish and UK Governments, relies on both governments for its implementation. The details of the fiscal framework agreement remain the subject of discussion between Scottish and UK Government officials and we would therefore wish to receive an update from the UK Government. As the fiscal framework is a joint agreement, the implementation of the agreement is not therefore a solely Scottish Government responsibility, and scrutiny of the actions of both the Scottish and UK Government in relation to the implementation of the agreement and the subsequent operation of the powers devolved requires that the Finance and Constitution Committee also scrutinise the UK Government.

I therefore invite you formally to give evidence to the Finance and Constitution Committee, post Autumn Statement, and I look forward to meeting you in person then. It would be helpful if your officials could liaise with the committee clerks in arranging a mutually convenient date for you to give evidence on the issues highlighted above.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Bruce Crawford".

**Bruce Crawford MSP**  
**Convener**