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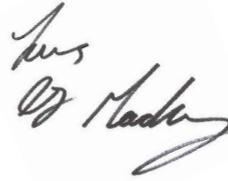
Dear Jenny

Thank you for your letter of 2 February on behalf of the Public Audit and Post-legislative Scrutiny Committee (PAPLS) about the Scottish Government's Non-Domestic Rating (NDR) Account.

For the sake of clarification the detailed operation of the account is not complex as your letter suggests. I accept the operation of the NDR Pool is reasonably complex and open to various fluctuations in the annual income received through NDR, but the actual account itself simply records everything paid into and paid out of the accounts and records an annual balance and a running total.

Turning now to the recommendations made in paragraphs 18 and 22 of Auditor General's Section 22 Report which the PAPLS Committee has picked up on. On the question of greater transparency the Scottish Government welcomed the call from the Auditor General that Scottish Ministers should be more transparent about all aspects of the NDR account. That is why we took immediate steps to set out the full details in the 2018-19 Draft Budget document of both the Scottish Fiscal Commission's NDR income forecast of the Contributable Amount alongside the Scottish Government's planned Distributable Amount (DA) going forward up to and including 2021-22 (Table 10.17), and also the calculation of the 2018-19 NDR DA (Table 10.18). This additional information in the tables sets out how the Scottish Government plans to eliminate the current deficit on the NDR account by 2018-19 and has budgeted for the pool to be in balance going forward thereafter. Scottish Ministers will consider future years positions as part of the overall Scottish Budget process.

On the Whole of Government Accounts the latest position is that the Scottish Government has established a programme of work to develop its public financial reporting and is currently progressing the development of 'tailored for Scotland' consolidated accounts. Working with financial year 2016-17 as a shadow year, we will produce our first outputs during 2018.

A handwritten signature in black ink, appearing to read 'Derek Mackay', is centered on the page. The signature is written in a cursive, flowing style.

DEREK MACKAY