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Dear Kenneth,

This letter responds to your Committee's call for evidence on Scotland's fiscal framework following the recommendations of the Smith Commission.

A properly designed and implemented fiscal framework is key to the Smith Commission proposals functioning properly, enabling future Scottish Governments to maximise the benefits and opportunities of devolution. Lord Smith recognised the importance of getting the fiscal framework right and helpfully made clear that it should be the subject of agreement between the two governments before it is adopted. It is the stated view of this Government that agreement must be reached with the UK Government on the key elements of the fiscal framework before we could recommend that the Parliament agree to the Legislative Consent Motion for the Bill.

Prior to agreement, the mechanisms that compose the framework will need to be negotiated with HM Treasury. As I have previously made clear in relation to the block grant adjustment arrangements for fully devolved taxes under the Scotland Act 2012, these mechanisms should be robust, transparent and deliver a fair outcome for Scotland. These principles also hold for the other components of the fiscal framework.

The principle of 'No detriment' set out in the recommendations of the Smith Commission involves a number of factors. Designing practical arrangements to ensure that the principle works is potentially complex. This is therefore an area in which we will take a particular interest. Significant work will be required to develop understanding of the implications before agreement can be reached between the two governments.

As you know, I met the Chancellor of the Exchequer on 2 March to discuss how to make progress with the Smith Commission's recommendations. We agreed that HM Treasury and Scottish Government officials should meet as soon as possible to take forward the detailed work required to develop the fiscal framework, in preparation for Ministerial engagement and discussion after the general election. Officials met in March and further preparatory and exploratory work is underway. I would be happy to provide an update to the Committee at a suitable point.

I would also note that I published a consultation paper on the Scottish Fiscal Commission on 27 March, which seeks comments on a range of issues including those you have raised on the Commission's role and remit, and on its scrutiny of tax receipt forecasts. The consultation runs to end-June, after which we intend to publish an analysis of responses with a view to introducing a Fiscal Commission Bill in early autumn.

I look forward to discussing these matters with further with the Committee.



JOHN SWINNEY