

Rùnaire a' Chaibineit airson Ionmhas agus na h-
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Dear Kenneth and Elena,

Independent Report Update

I am writing to you today to report that the Scottish and UK Governments have agreed on arrangements for jointly commissioning the Independent Report, which will precede and inform the upcoming Fiscal Framework Review. The report will focus on the Block Grant Adjustment arrangements. Specifically it will look at how different methods for calculating Block Grant Adjustments deliver on the Smith Commission's principles, including those of detriment, taxpayer fairness, economic responsibility, sustainability and transparency.

We have commissioned Prof David Bell (University of Stirling), David Eiser (Fraser of Allander Institute at the University of Strathclyde) and David Phillips (Institute for Fiscal Studies), who are leading experts and have published extensively on the Fiscal Framework, to co-author the report.

This report is expected to be returned in October to both governments, and will inform a broader review of the Scottish Government's Fiscal Framework.

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Input from stakeholders will also form a key part of the report and both governments will jointly launch a call for evidence as part of the process. Whilst the details are still to be finalised, we expect this to open at the end of July and close by mid-September 2022; I would encourage both committees to respond to this.

The pandemic has brought into sharp focus the existing flaws in the Fiscal Framework, and as you are aware, my view is that the scope of the review should be broad in order that the current arrangements are thoroughly assessed to ensure they are fit for purpose. The review is an opportunity to consider the future of Scotland's funding arrangements in the interests of fairness, accountability and sound governance. This independent report is an important step in that process and I look forward to hearing from a wide range of stakeholders throughout the process.

In addition, I am pleased to update that I met with Chief Secretary to the Treasury, Simon Clarke, at a Joint Exchequer Committee today to discuss the upcoming review of the Scottish Government's Fiscal Framework. I will write in the coming days to discuss the JEC in more detail.

I welcome your continued support, and I look forward to continued engagement with both the Finance and Public Administration and Social Justice, and Social Security Committees on both the independent report and the Fiscal Framework review.

Yours sincerely,

KATE FORBES

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