



The Scottish Parliament
Pàrlamaid na h-Alba

Finance and Public Administration Committee

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
UK Government

By email

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Dear Chancellor

The Scottish Parliament's Finance and Public Administration Committee recently considered the response from the Chief Secretary to the Treasury dated 18 January 2023 to our letter of 4 November 2022 inviting you to give evidence.

The Committee is disappointed to receive a response from the Rt Hon. John Glen MP, declining our invitation, particularly given the significant impact of UK Government tax and spending decisions on the overall size of the Scottish Budget. It is also regrettable that you did not respond to our request directly.

The Chief Secretary's letter states that he is "mindful of parliamentary accountabilities, where the UK Government is accountable to the UK Parliament for its tax and spending decisions". You may be aware that previous Scottish Parliament finance committees have held positive and constructive evidence sessions with former Chief Secretaries to the Treasury, including the Rt Hon. Liz Truss in 2018, the Rt Hon. David Gauke MP in 2014, and the Rt Hon. Danny Alexander in 2013 and 2010. More recently, in 2022, we heard from the Rt Hon. Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities, on how post-EU funds are operating in Scotland. The Committee would have appreciated you making yourself available in a similar way, particularly given the commitment by the Prime Minister on 13 January 2023 that, "as the Prime Minister of the United Kingdom, I want to work constructively with the Scottish Government to make a difference to the

people in Scotland". Indeed, we believe that being the first Chancellor to appear before the Committee would be a positive experience for all involved.

Further devolution and the sharing of powers in recent years has led to budgetary decisions in the UK and Scotland becoming more closely linked. The Committee has a lead role in the Scottish Parliament's scrutiny of the Scottish Budget and therefore, has a direct interest in how UK Government decisions impact on that Budget. In order to properly scrutinise Scotland's overall public finances, we therefore consider that we must deepen our understanding of how UK Government decisions affect areas such as the Block Grant, Barnett consequentials in year, and the operation of the Fiscal Framework.

Areas that we would wish to explore in oral evidence with you include:

- the extent to which the UK Government shares with the Scottish Government in advance the timing and key impacts of its fiscal statements, budgetary decisions and Barnett consequentials, (e.g. reductions to UK Spending Review allocations);
- given the close interaction between UK Government decisions on tax policies in the UK and devolved tax policy, how it seeks to work with the Scottish Government to minimise any unintended negative impacts on Scottish taxpayers (e.g. personal allowance and national insurance);
- details of how the UK Government plans to grow the UK economy and reduce inflationary impacts on UK and devolved budgets and how it considers any differential impacts across the UK;
- the extent to which the UK Government considers and discusses how decisions on budgets at a UK level could impact on the ability of the Scottish Government to deliver its priorities and ambitions, (e.g. the real-terms reduction in the capital budget 2023-24),
- how you ensure timeous information-sharing on whether UK spending announcements will come from existing funding or will be new money arising from Barnett consequentials for the Scottish Budget,
- the extent to which the UK Government supports effective public spending in areas where there may be a shared interest with the Scottish Government, such as in relation to Levelling Up funding, and
- Scotland's contribution to the UK's economic outlook and competitiveness.

The Committee is also growing increasingly concerned that the Review of the Fiscal Framework is now long overdue. For example, borrowing powers and other fiscal flexibilities under the Framework have remained the same since 2016, despite the significant challenges since, not least inflation. We would therefore welcome an update on when the Terms of Reference for the Fiscal Framework Review will be agreed between the two governments, the timescale for completion of the Review,

and the date on which the related Independent Report, which was provided to the governments in October 2022, will be published.

The Committee is keen to continue our positive relations with UK Government Ministers on these important issues and we would therefore hope that you will be able to attend the Committee in the near future, such as after the UK Spring Budget in March.

In the meantime, the Committee looks forward to receiving your response by 7 March 2023.

Yours sincerely

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee