Deputy First Minister
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The Scottish Government
Riaghaltas na h-Alba

Kenneth Gibson MSP
Convener
Finance Committee
The Scottish Parliament
Edinburgh
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9 March 2016

Dear Kenneth

During my attendance at the Finance Committee on 2 March I undertook to write to you to provide some additional information on the fiscal framework agreement

First, members sought information on the levels of revenue from courts and tribunals that would be retained by the Scottish Government in future. The mechanism for the initial adjustment to the block grant to account for the receipts generated is set out in paragraph 11 of the Agreement. This means that the adjustment to the block grant will reflect the amounts of fines, forfeitures and fixed penalties imposed by courts and tribunals in Scotland during the financial year 2016-17. The tables below shows the amounts relating to 2013-14 and 2014-15. Amounts for 2015-16 will be published shortly.

Fines, Forfeitures, Fixed Penalties	**2013-14**	**2014-15**
Scottish Court Service Fines	31,296,835.37	30,545,141.58
Scottish Solicitors Discipline Tribunal Fines	-	87,243.32
Total	**31,296,835.37**	**30,632,384.90**

Proceeds of Crime Receipts	**2013-14**	**2014-15**
Proceeds of Crime Receipts	3,887,565.85	4,908,436.00

Second, there was discussion at Committee about the exact nature of the 'trigger' for access to resource borrowing when there is a Scotland-level economic shock, as described in paragraph 66 of the Agreement.

I can confirm that access to borrowing to cushion a Scotland-specific economic shock is triggered when onshore annual Scottish GDP growth in real terms is or is forecast to be below 1% on a rolling 4 quarter basis (i.e. actual or forecast real terms GDP growth is to be measured over a full year, starting in any quarter) and is at least 1 percentage point below actual or forecast UK GDP growth in real terms over the same period. I have asked officials to consider whether the wording in the Agreement requires further clarification in the proposed technical annex.

Finally, during my evidence I was asked about VAT assignment and the impact of changes in VAT rates. I belive that it would be helpful to clarify my evidence on VAT rates. I referred to 50% of VAT revenues being assigned to the Scottish Government. In fact I should have referred to the first 10 pence of standard rate VAT revenues being assigned. With the standard VAT rate at 20 pence in the pound, the answer I gave is correct, and we would receive 50% of the revenues. However, should the UK Government, which continues to be responsible for setting VAT rates decide to reduce the standard rate of VAT to 19% or increase it to 21% the Scottish Government would continue to receive the revenue from the first 10 pence of standard rate VAT and there would be no impact on the amount assigned to the Scottish Government.

During my evidence I also indicated that Scottish Government officials are continuing to work with HM Treasury to agree the technical annex to the fiscal framework. I am conscious of the need to make the agreed technical annex available to the Committee before the debate on the Scotland Bill Legislative Consent Motion and Memorandum to give time for scrutiny, and I have, therefore, reinforced the need for timely production of the annex and expect to be able to provide it to the Committee very soon.

JOHN SWINNEY