

Deputy First Minister
and Cabinet Secretary for Finance, Constitution and Economy
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Kenneth Gibson MSP
Convener
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Dear Kenneth,

As you may be aware, I met with the Chief Secretary to the Treasury on 7 July in the Joint Exchequer Committee to progress negotiations on Scotland's new fiscal framework as proposed by the Smith Commission. I have committed to transparent reporting to the Parliament on the work of the Joint Exchequer Committee and so I am writing to update you on those recent discussions.

The Chief Secretary and I discussed a number of issues including future funding options in relation to the new tax and spending powers; the principles of "no detriment" as outlined in the Smith Commission report; and implementation issues relating to taxes that were recommended for devolution. We also acknowledged the importance of information sharing as an aid to supporting both successful negotiations and the on-going operation of the fiscal framework.

A joint communique was issued by both the Scottish Government and HM Treasury following the meeting. I attach a copy.

Both governments have agreed to aim to complete negotiations on the fiscal framework by the Autumn, to align to the timetable for the Scotland Bill and the legislative consent process. With this in mind we aim to meet on an approximately monthly basis, although given parliamentary recesses, the next meeting will take place in Edinburgh in early September.

I am also copying this letter to Bruce Crawford MSP, Convener of the Devolution (Further Powers) Committee.

Yours
JS
JOHN SWINNEY

JOINT EXCHEQUER COMMITTEE – 7 JULY 2015

The Joint Exchequer Committee met today, chaired by the Chief Secretary to the Treasury, Rt Hon Greg Hands MP. The Scottish Government was represented by John Swinney MSP, Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy.

This was the fourth meeting of the JEC and the first since the publication of the Smith Commission Report. The Chancellor of the Exchequer, the Chief Secretary to the Treasury and the Deputy First Minister met on 8 June where they agreed that they would aim to conclude negotiations on the fiscal framework that will underpin the financial provisions of the Scotland Bill by the autumn, in tandem to the timetable for the Bill. This was the first consideration of substantive elements of the fiscal framework under the auspices of the JEC.

The Ministers considered high level options for future funding of the Scottish Government in relation to the new tax and spending powers to be devolved alongside a consideration of the principles of “no detriment” that Smith outlined in his report. Building on the good progress that has been made in relation to the Scottish Rate of Income Tax and other taxes devolved under the Scotland Act 2012, Ministers considered additional tax implementation issues in relation to devolution of the Smith taxes. The Ministers also acknowledged the importance of information sharing between the two governments both as an aid to ensuring successful negotiations on the fiscal framework and the ongoing operation of the fiscal framework. In addition, the Ministers agreed arrangements for the sharing of tax information in order for the Scottish Government to take a decision on the Scottish Rate of Income Tax later this year.

Ministers noted that officials from the two governments had been working together on analysis and evidence, and that further detailed planning and collaboration was continuing. They also agreed the importance of ensuring their respective Parliaments are updated on the negotiations as appropriate.

The next meeting of the JEC will take place in September, in Edinburgh, chaired by the Deputy First Minister.

**Scottish and UK Governments
July 2015**