

Scottish Affairs Committee

Committee Office House of Commons London SW1A 0AA

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From the Chair, Pete Wishart MP

Rt Hon Elizabeth Truss MP
Chief Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

16 January 2018

Dear Elizabeth

Thank you for your letter of 6 December informing me about the intended modification to the block grant adjustment for the 2018–19 Scottish block grant. I am grateful for you taking the time to update me on these changes.

I have shared the letter with the Members of the Scottish Affairs Committee and we have a few points of clarification about the Treasury's decision to use Scottish Fiscal Commission estimates rather than OBR estimates for the 2016–17 baseline that we could be grateful if you could address.

- 1) What are the methodological differences between the Scottish Fiscal Commission (SFC) and the Office for Budget Responsibility (OBR) relating to estimating tax forecasts for the 2016–17 baseline?
- 2) i) What is the difference in amount between the SFC estimate and the OBR estimate for the 2016–17 baseline?

ii) What difference does using the SFC Estimate rather than the OBR Estimate make to the amount of the Scottish Government block grant in 2018–19?
- 3) Why do the OBR estimates not comply with the Smith Commission principle that the Scottish and the UK Government budgets should be no larger or smaller as a result of the initial transfer of tax spending powers?
- 4) i) Can you clarify that the OBR estimates were used to set the 2016–17 baseline for the 2017–18 block grant?

ii) Why was the issue of non-compliance with the Smith commission principles not raised when the OBR estimates were used for the 2017–18 block grant?

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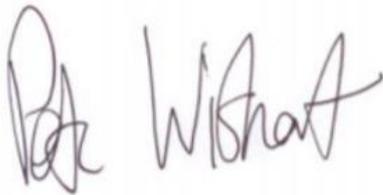
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- iii) Will the 2017–18 block grant be revised as a result to switching from OBR estimates to SFC estimates?
- 5) i) When will actual data for 2016–17 Scottish income tax be available to set the baseline for the block grants?
- ii) Will the 2017–18 block grants and the 2018–19 block grants be revised in order to reflect actual data for 2016–17 baseline after year end?
- 6) The Scottish Fiscal Framework referred to a Memorandum of Understanding being set up between SFR and the OBR. Has this been agreed yet? If so, could the Committee be sent a copy. If not, what is the reason for the delay?

I am copying this letter to the Secretary of State for Scotland.

Best Wishes

A handwritten signature in black ink, appearing to read 'Pete Wishart'. The signature is written in a cursive, flowing style.

Pete Wishart MP

Chair, Scottish Affairs Committee