

JOINT EXCHEQUER COMMITTEE – 4 SEPTEMBER 2015

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

This was the second meeting of the JEC since the publication of the Smith Commission Report. Ministers continued their detailed discussions on the substantive elements of the fiscal framework that will underpin the financial provisions of the Scotland Bill.

Following a joint assessment against the Smith Commission Report principles, Ministers considered a range of options for adjusting the Scottish Government's block grant in the future in relation to the new tax and spending powers being devolved. This included discussion of the balance of risks, economic responsibility and how the mechanisms can operate transparently and mechanically without frequent negotiation. Ministers also considered the administration costs associated with implementing and operating the Smith Commission Report.

Ministers also considered various methodologies for assigning VAT receipts to the Scottish Government's budget noting the interdependency with the associated block grant adjustment. Overall economic principles for fiscal rules and capital borrowing options were also discussed, including how Scottish Government borrowing would sit within the context of the overall UK fiscal framework.

Finally Ministers considered fiscal scrutiny and the current roles of the Scottish Fiscal Commission and the Office for Budget Responsibility in relation to devolved public finances. Ministers discussed the Scottish Government's recent consultation on legislative proposals for the Scottish Fiscal Commission and noted that a Bill would be introduced to the Scottish Parliament shortly which would place the Commission on a statutory footing. Ministers agreed to return to this issue at a future discussion on the fiscal framework to ensure that future fiscal scrutiny arrangements reflect the detail of the agreed fiscal framework.

The next meeting of the JEC will take place later in September, in London, chaired by the Chief Secretary to the Treasury. Ministers continue to aim to reach final agreement this autumn.

**Scottish and UK Governments
September 2015**