



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Kate Forbes MSP
Cabinet Secretary for Finance and the Economy
Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

2nd November 2021

Dear Kate,

FISCAL FRAMEWORK REVIEW

1. I am writing following our meeting on 14 October where we discussed the review of the Scottish Government's Fiscal Framework. I am pleased that we were able to meet in person and reach agreement in principle on a number of issues in relation to the independent report and subsequent review.

2. To confirm we agreed the following:

- a. To jointly commission an independent report that will cover the Block Grant Adjustment arrangements. This independent report will not make recommendations, but will involve a call for evidence from stakeholders.
- b. The independent report will inform a broader review of the Fiscal Framework. The review will therefore not be constrained by the scope of the independent report.
- c. A shared ambition for swift progress and best endeavours to meet the timeframes set out in the Fiscal Framework, such that the independent report can be presented to both governments by the end of 2021 (or as soon as possible thereafter). This will hopefully enable us to begin the review proper in early 2022.

3. I am also content to agree the draft Terms of Reference as jointly drafted by our officials as the remit and arrangements for undertaking this exercise, which we should publish alongside announcement of the author of the independent report. Furthermore, I have asked my officials to work with yours to identify potential authors.



4. I look forward to continuing our work together to review the Fiscal Framework to ensure fair and sustainable funding for Scotland's future. We agreed that officials could begin preparations for the review alongside the independent report and I'm sure we will need to discuss the detailed timelines and scope, among other things, in due course.

5. I am copying the Secretary of State for Scotland, Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations, and the Chancellor of the Exchequer.

Yours ever,

A handwritten signature in black ink that reads 'Simon Clarke'.

SIMON CLARKE MP