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31 May 2022

## MEDIUM-TERM FINANCIAL STRATEGY 2022

Dear Kenny,

I am delighted to inform you that the Scottish Government has today published the 2022 Medium Term Financial Strategy (MTFS). The document can be found on the Scottish Government website at the following link:

Medium-Term Financial Strategy: <http://www.gov.scot/isbn/9781804354988>

I will be writing to you separately on the publication of the Resource Spending Review (RSR) and Capital Spending Review (CSR), and I look forward discussing these publications in more detail at Committee next week .

I would like to thank the Committee again for undertaking the review into the MTFS earlier this year, and I am grateful for your continued engagement with this. In my letter dated 4 February 2022 I said that I would write to the Committee with an update on how we have taken forward its recommendations. We have carefully considered these in detail and have taken forward a number of the Committee's recommendations as part of the 2022 publication.

Firstly, the Committee recommended that data, scenario planning and modelling used to underpin assumptions should be included. The "*Fiscal Outlook*" chapter now includes greater detail on the funding assumptions, and the risks and uncertainties associated with these.

Secondly, the Committee suggested that detailed information on all fiscal risks should be provided, along with specific actions that the Scottish Government would take to mitigate

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each of these individual risks. To this end the “*Managing Fiscal Risks*” chapter now includes a more detailed table of risks to spending and funding, the estimated possible impact of each risk, existing levers to manage the risk and our budget management strategy.

Finally, the Committee recommended that key information should be presented in a consistent way from year-to-year. The overall structure of the MTFS is therefore the same as previous publications, apart from the clear change in the “*Fiscal Outlook*” chapter to improve transparency around funding assumptions in line with the recommendation noted above. Going forward, I recognise the importance of maintaining a similar structure throughout various editions of the MTFS to promote transparency and aid with parliamentary scrutiny. We therefore aim to continue using the format of this MTFS in future editions, whilst meeting the Budget Process Review Group’s (BPRG) recommendation for continuous development and improvement of the MTFS.

I acknowledge that we have not taken all recommendations forward for this publication of the MTFS. As you know, the context within which we are publishing this year’s MTFS is unique – alongside the first Resource Spending Review since 2011. Some of the Committee’s recommendations, in particular to include detailed spending plans across portfolios, are therefore addressed within the RSR document.

As we look ahead to the 2023 edition of the MTFS, we will continue to work collaboratively with the Committee and other stakeholders on the continuous improvement and development of future publications. This will include looking at how we can continue to progress the Committee’s recommendations.

Yours sincerely,

**KATE FORBES**

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