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The Scottish Parliament
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25 May 2023

Dear John,

I am pleased to confirm that the Scottish Government has today published the 2023 Medium Term Financial Strategy (MTFS). The document can be found on the Scottish Government website at the following link:

Medium-Term Financial Strategy: <https://www.gov.scot/isbn/9781805259268>

The Scottish Government has today also published updated Ready Reckoners, which for the first time have been expanded to cover Land and Buildings Transaction Tax and Non-domestic rates, as well as income tax. The document can be found on the Scottish Government website at the following link:

Ready Reckoners: <https://www.gov.scot/isbn/9781805259114>

I would like to thank the Committee for their continued engagement with the Scottish Government on the development of the MTFS. I appreciate the work that went into the 2022 review under my predecessor, and note the recommendations that were made, as well as the Budget Process Review Group's (BPRG) recommendation for continuous development and improvement of the MTFS.

In recognition of the recommendation to maintain a similar structure year on year, to promote transparency and aid parliamentary scrutiny, much of the content is structured in the same way as in previous years. The economic outlook chapter, along with the funding and spending outlook chapters remain largely the same, with the key funding and spending risks now considered within these outlooks, rather than in a separate chapter on managing fiscal risks.

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The most significant change you will note this year is the strengthening of the Scottish Government's strategy for managing the public finances. The financial situation is amongst the most challenging since devolution and the Scottish public finances face considerable challenge, particularly in 2024 - 25. We have therefore introduced a specific chapter in which we set out how the Scottish Government will approach this challenge and achieve a sustainable position over the medium-term.

Our strategic approach to ensure fiscal sustainability is anchored in three pillars:

- Strengthening how we manage public spending to ensure public money is fully focused on delivering government objectives, underpinned by necessary reform and prioritisation to maximise the impact of our available resources and capital investment;
- Increasing focus on economic policies and actions with the greatest potential to grow and strengthen Scotland's well-being economy and to grow the tax base to support the funding of our vital public services; and,
- Ensuring a strategic approach to tax policy, which considers the longer-term impacts of our tax choices on individuals and our competitiveness, and which has been developed through clear engagement with stakeholders.

I am also aware of the Committee's keen interest in the Fiscal Framework, and so I have ensured that this edition of the MTFS details my expectations for the upcoming Fiscal Framework review, and I look forward to discussing this in more detail with the Committee in due course.

I am also writing to you separately today to provide an update on public service reform, with the MTFS also including an annex that provides a progress update on commitments made at the Resource Spending Review (RSR).

As we look ahead, I welcome the upcoming parliamentary scrutiny of the MTFS over the coming months and commit to working with the Committee to improve and develop the MTFS ahead of the 2024 edition.

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