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25th January 2016

My Lords,

I am writing to update you on the work of the Joint Exchequer Committee for Scotland (comprising the UK and Scottish Governments), which met on Thursday 21st January 2016 in London.

The meeting took place in London between the Chief Secretary of the Treasury, who leads these negotiations for the UK Government, and John Swinney, the Deputy First Minister and Cabinet Secretary for Finance in the Scottish Government.

This was the 7th meeting of the JEC (Scotland) to discuss the Fiscal Framework, and the second in 2016; the others having been held on:

- 7th July 2015 – in London
- 4th September – in Edinburgh
- 23rd September – in London
- 9th October – in Edinburgh
- 7th December – in London
- 8th January 2016 – in Edinburgh

As with each of these meetings, a communiqué was agreed and issued by both Governments after the meeting: this is attached and has been published online.

The meeting continued the discussions at previous sessions of the Committee. This included talks concerning the methodologies available for adjusting the Scottish Government's block grant to take account of tax and welfare devolution under the Scotland Bill.

The meeting also looked in detail at the potential for an initial transfer of funding for new welfare powers. The Committee also discussed one of the issues raised during the second reading debate on the Bill – the no-detriment principle, in particular how so-called “policy spill-overs” would be treated under the new framework.

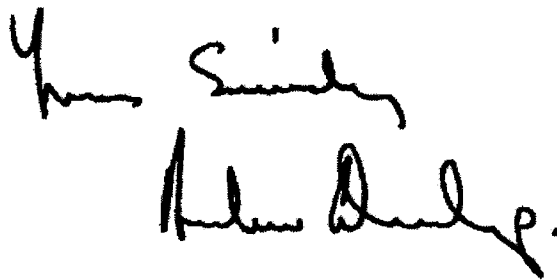
Finally, the meeting covered how the costs of devolution (for example, the costs of setting up new systems and processes) should be shared, based on the principles set out in the Smith Commission, and new budgeting arrangements for the Scottish Government.

The meeting was able to get into detail on all of these issues and build on the joint working and analysis for previous sessions of the Committee. We therefore continue to hope that the final agreement will be available in good time for Noble Lords to scrutinise.

I will continue to inform you about future meetings. In the interim, I remain open and willing to meet with interested Peers who would like to discuss these issues further.

I would also like to take this opportunity to mention the Government Response to the Lords Economic Affairs Committee Report "*A Fracturing Union? The Implications of Financial Devolution to Scotland*". This sets out further detail on our approach to the Fiscal Framework negotiations and response to the Committee's recommendations in their Report. This has been submitted to the Chair and should be available shortly on the Committee's website.

I am placing this note and the attached communiqué in the House library, and copying this to the Chief Secretary to the Treasury and the Secretary of State for Scotland as well as the Chairs of the Economic Affairs and Constitution Committee and Noble Lords who spoke on this issue at Second Reading of the Scotland Bill.

A handwritten signature in black ink, appearing to read "Yours Sincerely, Helen Dunlop." The signature is written in a cursive style.

LORD DUNLOP
PARLIAMENTARY UNDER SECRETARY OF STATE FOR SCOTLAND

JOINT EXCHEQUER COMMITTEE – 21 JANUARY 2015

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

This was the seventh meeting of the JEC since the publication of the Smith Commission report. The Ministers continued their discussion on the indexation methodologies for the Block Grant Adjustments and also discussed the initial transfer of funding for new welfare powers, the policy spillover element of the no detriment principles, sharing the costs of devolution and appropriate budgetary arrangements.

Both Ministers agreed to meet again shortly in order to make further progress in the negotiations.

**UK and Scottish Governments
January 2016**