



T: 0300 244 4000
E: scottish.ministers@gov.scot

Elizabeth Truss MP
Chief Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

19 June 2018

Dear Liz

While I welcome the Prime Minister's announcement of additional funding for the NHS, I am concerned that there was no discussion with the Scottish Government prior to the announcement, particularly as it has been reported that part of this additional funding may be delivered through income tax.

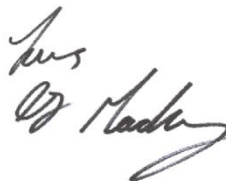
Any change to income tax at the UK level will have a financial impact on the Scottish budget through the Fiscal Framework and it is imperative for financial planning purposes that you provide details of any planned income tax changes as a matter of urgency.

The Barnett consequentials associated with this announcement have been reported in the press as being around £2 billion, yet I have received no detail on the scale of the funding nor how it will be funded, including scale and timing.

It is essential that I receive an immediate update on the detail of this announcement and the impact on the Scottish budget. We have witnessed in the past that positive consequentials from increased UK Government spending in one area are often reduced by cuts made elsewhere. I seek your assurance that will not happen in this case and Scotland will receive a full net £2 billion in consequentials.

With the Prime Minister stating that funding will come partly from a so-called "Brexit dividend", I along with many others am concerned that this is not a credible funding package. Statements by the Institute for Fiscal Studies and others dispute the likelihood of any such "dividend", owing to the negative impact of EU exit on the UK's economy and public finances and the UK Government's commitments regarding the financial settlement between the UK and EU under the proposed terms of the Withdrawal Agreement.

This concept of a “dividend” also does not take into account the need to replace EU funding, either from 2019 in the event of “no deal” or post-2020 if a transition period is agreed. Given that the people of Scotland voted overwhelmingly to remain within the EU, the UK Government must ensure that our public finances are in no way detrimented as a result of the UK’s exit. This includes replacing all lost EU funding, such as CAP and structural funding, in full. This has been a consistent requirement of the Scottish Government, in view of the importance and significant benefits of EU funding to Scotland, and I seek urgent assurances that you will ensure it is fulfilled.

A handwritten signature in black ink, appearing to read 'Derek Mackay', with a stylized, cursive script.

DEREK MACKAY