

Finance and Public Administration Committee

Medium Term Financial Strategy Review

Email to Stakeholders of 16 December 2021

Dear Committees, former members of the Budget Process Review Group and experts

Medium Term Financial Strategy: content review

The Finance and Public Administration Committee is undertaking a short, focussed review of the content of the Scottish Government's Medium-Term Financial Strategy to establish whether it meets the ambitions of the Budget Process Review Group and if any improvements can be made. We would welcome your views by 4 February 2022 to help shape future strategies.

The Medium-Term Financial Strategy (MTFS) sets out the Scottish Government's expectations and broad financial plans and projections for at least five years ahead on a rolling basis. Usually published in May each year, parliamentary committees use the MTFS to inform their pre-budget scrutiny. The latest MTFS was published alongside the Scottish Budget 2022-23 on 9 December, however it is expected to return to the usual May publication date in 2022.

The Budget Process Review Group (BPRG) in 2017 noted that the MTFS is intended to capture an overview of the financial implications of existing policy, so these can be understood in formulating detailed budget proposals later in the budget cycle. It enables a medium-term perspective on public finances to be maintained throughout each parliamentary session and to support a broad approach to the budget and formulation. The BPRG anticipated that the Scottish Government should work towards the MTFS consisting of the following four elements:

- forecast revenue and demand-led expenditure estimates from the Scottish Fiscal Commission and their effect on Scotland's public finances
- broad financial plans for the next five years
- clear policies and principles for using, managing and controlling the new financial powers, and
- scenario plans, based on economic forecasts and financial information in order to assess the potential impact of different scenarios on the budget.

In line with BPRG recommendations, the Written Agreement between the Scottish Government and this Committee suggests that the content of the MTFS should be kept under review as it develops over time. Last session, the Finance and Constitution Committee began working with the Scottish Government on how the content of the MTFS might be improved and, as part of this work, subject committees and external experts were invited to submit their views on what would be helpful to see in the MTFS. This work was paused due to other pressures.

The Legacy Expert Panel report to the Session 5 Committee recommended that a review of the content of the MTFS should take place early in the new session.

The Committee therefore seeks views from parliamentary committees, members of the BPRG and other experts, by 4 February 2022. on:

- whether the MTFS meets the intended objectives of the BPRG, i.e. if it sets out the Scottish Government's expectations and broad financial plans and projections for at least five years ahead on a rolling basis,
- the extent to which the MTFS now contains all four elements envisaged by the BPRG,
- how well the MTFS sets out the future financial implications of current policy decisions,
- whether the MTFS provides committees with a hook for scrutiny of the medium-term priorities for, and risks to, the Budget,
- how adequately the MTFS sets out the future objectives for approaches in cross-cutting areas such as climate change, the economy and equalities, and
- where improvements could be made to the content to better support parliamentary scrutiny.

The Committee will then consider hearing from witnesses, before producing a report for the Scottish Government to take account of when drafting the next MTFS to be published in May 2022.

Yours sincerely

Finance and Public Administration Committee