

**CONCORDAT**  
**BETWEEN HM TREASURY**  
**AND THE SCOTTISH EXECUTIVE**

**Aim**

As a result of the Scotland Act 1998, devolution of power to the Scottish Parliament has affected the manner in which the UK is governed. HM Treasury has retained responsibility for the macro-management of the UK's economy. Primary legislation powers and responsibility for the administration of many other areas of policy (that is other than those described in Schedule 5 of the Scotland Act 1998) have been devolved to the Scottish Parliament. In addition, there are areas of executive devolution set out in Schedule 5 of the 1998 Act where primary legislative powers rest with the UK Parliament at Westminster but administration of those powers has passed to Ministers of the Scottish devolved government.

The purpose of this concordat is to set out clearly the relationship between HM Treasury and the Scottish Executive to ensure that both are aware of the requirements of the other and that both are consequently able to fulfil their responsibilities fully.

This concordat is made in addition to any statutory arrangements for the provision of information to HM Treasury made under section 96 of the Scotland Act 1998 and the Statement of Funding Policy, an updated version of which was published by HM Treasury in July 2004.

**Parties**

This concordat is made between HM Treasury and the Scottish Executive.

**General Principles**

This concordat is non-statutory and not legally binding. It should be read in conjunction with the

Memorandum of Understanding between the devolved administrations and the UK Government. However, HM Treasury and the Scottish Executive agree to abide by its provisions.

### **Period**

This concordat was reviewed initially after 12 months and then at least every three years. It may be reviewed at any other time at the request of either party.

### **Consultation Arrangements**

There will be regular consultation between officials from HM Treasury and those of the Scottish Executive to ensure that there is co-operation between the two administrations and that the business of both operates effectively.

To this end there should be a formal liaison meeting between officials from HM Treasury and the Scottish Executive at least twice a year if possible.

In addition, the Finance Director of the Scottish Executive will be invited to attend HM Treasury's regular meetings of Finance Directors of Government departments in addition to any attendance from the Scotland Office.

### **Exchange of Information**

Provision for the supply of information required by HM Treasury under section 96 of the Scotland Act 1998 is set out separately. In addition to that information, the Scottish Executive undertakes to provide HM Treasury with the following in response to all reasonable requests:

1. sufficient information to enable HM Treasury to fulfil its responsibility of managing the UK's national debt;
2. all the information necessary to allow HM Treasury to maintain and update its Public Expenditure Database, including that information needed to classify correctly the

activities and transactions of the Scottish Executive in the national accounts and in the UK Government's public expenditure control system, and the information needed to prepare Whole of Government Accounts;

3. information necessary to allow HM Treasury to maintain and update its General Expenditure Monitoring System;
4. advance notice wherever practicable of any proposed Scottish legislation or other policy developments which will have an impact on HM Treasury's responsibilities, including macroeconomic management, the management of foreign currency reserves, fiscal policy and regulation of financial services;
5. sufficient information on National Non-Domestic Rates as they relate to Scotland to allow HM Treasury to produce National Non-Domestic Rates forecasts;
6. advice and guidance issued by the Scottish Finance Department to Scottish Departments on issues such as accounting, public procurement, external auditing and finance.

In return, HM Treasury undertakes to provide the Scottish Executive with the following:

1. advance notice wherever practicable of any UK legislation proposed by HM Treasury or HM Treasury's policy developments which will have an impact on the Scottish Parliament's tax varying power as well as devolved areas in general as they relate to Scotland;
2. information relating to or affecting the level of the Scottish Executive's Departmental Expenditure Limit, Assigned Budget and Annually Managed Expenditure allocations as soon as it is known, via the Secretary of State for Scotland or directly as appropriate and consistent with the timing of Budget and spending review announcements, in order to allow the Executive to manage its resources properly;
3. HM Treasury guidance to UK Government Departments, such as DAO letters, and advice

and guidance on accounting, public procurement, external audit and finance.

### **Access to the Reserve**

Treasury officials will inform Scottish Executive officials on a confidential basis about cases of access to the Reserve in respect of comparable programmes of UK Government departments as soon as practicable. Decisions on access to the Reserve on the part of the Scottish Assigned Budget will be made on the basis of the criteria set out in the Statement of Funding Policy.

### **Receipts Direction**

Under sections 64(5) and 64(6) of the Scotland Act, the Treasury may make a direction specifying certain receipts or categories of receipt in respect of which Scottish Ministers are required to make payments to the Secretary of State for Scotland. The Treasury will review, in consultation with the Scottish Executive, any such direction not more than one year after it is made, and thereafter annually unless otherwise agreed with Scottish Ministers. Scottish Ministers may at any time request a fresh review of any such direction, and the Treasury will endeavour to respond within a reasonable time to such a request.

### **Government Accounting Service**

Accountants working for the Scottish Executive will continue to be members of the Government Accounting Service (GAS) and will therefore continue to take part in all GAS activities.

### **Assurance, Control and Risk team (ACR)**

ACR will continue to advise their Scottish colleagues. Liaison meetings on internal audit matters will therefore continue between the ACR team, HM Treasury and the Internal Audit Team of the Scottish Executive. Advice will also be provided to the Executive's Risk Manager on the development of risk management across government.

## **Government Procurement Service**

Officials working for the Scottish Executive in designated procurement posts will continue to be members of the Government Procurement Service (GPS) and will therefore continue to take part in all GPS activities.

## **Resolution of Disagreements**

The main intention of this concordat is to provide a framework for consultation and co-operation which minimises the chances of disputes occurring. To this end, both HM Treasury and the Scottish Executive undertake to conduct their relationship on a *no surprises* basis. In addition, should disputes arise between HM Treasury and the Scottish Executive, both parties should attempt to solve these through the consultation arrangements set out above.

If it is not possible to resolve such disputes within the consultation framework established by this document, the issues shall be decided by consultation between the Treasury Ministers, the Secretary of State for Scotland and the Ministers of the Scottish Executive.

Should agreement still not be possible, the matter shall be referred to the Department for Constitutional Affairs for the machinery originally established by the Cabinet Office to mediate on the disputed matter.

In case of disagreement or dispute over matters relating to the level of the Scottish Parliament's Assigned Budget, the operation of the funding Rules or other actions of either the Scottish Parliament or the Treasury relating to finance for the Scottish Executive, Scottish Executive Ministers or the Secretary of State for Scotland can pursue the issue with Treasury Ministers. This is the normal procedure for resolving disputes on all financial issues and mirrors the arrangements between the Treasury and departments of the United Kingdom Government. The Treasury will consider and respond to any such representation in taking this forward with the relevant party. Such matters can also be raised at the Joint Ministerial Committee, which will include the relevant Ministers from the United Kingdom Government and devolved administrations.

February 2005