

## Letter: Cabinet Secretary for Finance and the Constitution to the UK Chief Secretary to the Treasury 22 June 2017

Dear Liz

I write to thank you for the opportunity for our telephone call on Wednesday 21 June and to congratulate you again on your appointment as Chief Secretary to the Treasury.

*[1 paragraph redacted – not within scope]*

There are a number of topics that I touched upon during our telephone call that I thought that it would be helpful to set out in more detail and which we could usefully discuss further at an early meeting.

### UK Fiscal Policy & Efficiency Review

An early priority will be to understand the fiscal approach that the UK Government plans to take in the coming years and also to obtain clarity on when the next UK Spending Review might be undertaken.

You will be aware of the Scottish Government's long standing opposition to the UK Government's austerity agenda which disproportionately hurts the poorest and most vulnerable in society.

I am keen to understand the extent to which the recent Election result may be creating the opportunity for a reassessment of the current approach. I listened with interest at the weekend to comments made by the Chancellor of the Exchequer, who said that the UK Government "heard a message" in the election that people were "weary" of spending cuts. I also noted the references that the Chancellor made during his Mansion House speech on Tuesday 20 June, which indicated that despite hearing the message from the electorate, that there is not expected to be any planned change in UK fiscal policy from that set out at the Autumn Statement last year. It is not clear how this approach will relieve the financial pressure on public finances and public services in the short term.

Austerity is directly impacting on public sector workers who have had to face a significant period of pay restraint. Despite those circumstances, the Scottish Government has put in place a pay policy for 2017-18 that aims to protect the lowest paid, deliver modest pay increases for all employees, and ensure public sector budgets remain in balance. With rising inflation, this position is becoming unsustainable for public sector workers and I would be keen to understand what steps the UK Government are planning to take to address this issue.

With Brexit posing an unprecedented risk to the UK economy and consumer confidence, this is certainly not the time for more austerity but for supporting economic growth through further investment. Further cuts at this stage will have a significant impact on our budget and spending priorities. We therefore require reassurances that you will not pass on any further austerity and make additional budget cuts on top of the real-terms reductions in spending power already imposed on Scotland.

In the light of these challenges, I would encourage you, and the Chancellor, to use the first UK Autumn Budget to change course and relieve some of the significant financial pressure

that our public services and public sector workers are experiencing across Scotland and the rest of the UK.

*[26 paragraphs redacted – not within scope]*

I am copying this letter to the Secretary of State for Scotland.

**DEREK MACKAY**