

Shared principles between the Scottish Fiscal Commission and the Office for Budget Responsibility

1. This document sets out the shared principles of engagement agreed by the Scottish Fiscal Commission (SFC) and the Office for Budget Responsibility (OBR) to guide the working arrangements between the two organisations.
2. The SFC and the OBR have already established a productive working relationship. There has been active cooperation and regular engagement between the two organisations to support the discharge of their respective functions. The SFC has participated in OBR challenge meetings for UK fiscal events and has had regular contact with the OBR around the Scottish Draft Budget. This existing unwritten cooperation forms the basis of the formal shared principles that will guide our ongoing working arrangements.
3. The SFC and OBR have statutory duty to cooperate with each other. A full Memorandum of Understanding (MoU) will be developed and published setting out the details of how the two organisations work together. The details of this engagement depend on both the Scottish Budget process which is currently under review and on how the SFC operates. Once the SFC is operational as a statutory body and the Scottish Budget process has been finalised the full MoU will be developed and published.

Main responsibilities and legislative background

4. The main responsibilities of the SFC and OBR are set out in legislation, including the Budget Responsibility & National Audit Act 2011, the Scotland Act 2016 and The Scottish Fiscal Commission Act 2016. Further responsibilities are set out in the Scottish Government fiscal framework agreement of February 2016.
5. The legislation and the fiscal framework agreement set out the requirement for the SFC and the OBR to cooperate to enable both organisations to discharge their functions.

Purpose of these Principles

6. The principles set out in this document are required to meet the main responsibilities of the SFC and the OBR, including:

- duty of cooperation between the SFC and the OBR, as set out in the fiscal framework agreement;
- effective cooperative working relationships with the UK Government , the Scottish Government and other bodies that contribute to the forecasts;
- responsibility to provide UK and Scottish Government forecasts of sufficient quality and timeliness to allow effective and efficient budget-making by each government; and
- responsibility to ensure that forecasts are sufficiently transparent and well-explained that they can be scrutinised and compared by the Parliaments, other stakeholders and the general public.

Co-ordinating the forecasting process

7. The SFC and the OBR will seek to work together to ensure that high quality Scottish forecasts are produced by both bodies.
8. This will involve the private sharing of pre-measures forecasts and explanatory notes and inviting comment from the other organisation. Neither institution will publish material that is shared by the other through these exchanges without seeking and receiving its prior consent.
9. The SFC and the OBR will fulfil their responsibilities with regard to producing reports and presenting them to the UK and Scottish Parliaments as set out in the Charter for Budget Responsibility and the Scottish Fiscal Commission Act 2016 respectively. In doing so, they will endeavour to provide regular information explaining how and why their latest forecasts differ from each other, if that is the case. This will seek to improve public understanding of the forecasting methodologies and the judgements and assumptions that have been used.
10. The SFC and OBR will assist each other wherever possible in interactions with the other administration and bodies within the other administration, including providing points of contact. Where the SFC and OBR have joint requirements, for example to obtain the same information, they will seek to work together to achieve this objective efficiently.
11. Officials from UK and Scottish Government bodies must attend challenge meetings as required by the SFC and the OBR. All final judgements and assumptions used in forecasts and other analysis will be decided respectively by the Scottish Fiscal

Commissioners and the OBR's Budget Responsibility Committee through any challenge processes.

12. The UK and Scottish Governments will have full and timely access to information from the SFC and the OBR, and assistance to understand it, as required to fulfil their policymaking responsibilities. This will be in consultation with the SFC and the OBR.