

# Statement of Data Needs September 2018

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Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE

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# Foreword

This document is the first annual statement of the Scottish Fiscal Commission's data needs and responds to the recommendations of the Economy, Jobs and Fair Work Committee following their inquiry into Scottish economic statistics. We are grateful to the Committee for the suggestion that we publish an annual statement of our data needs. We are also grateful that the Committee recommended that "The statistical needs of the Scottish Fiscal Commission – given its responsibility for economic and fiscal forecasting – should be a top priority."

The Commission uses a broad range of economic and fiscal data to produce our forecasts. Access to timely and high quality data is vital to our ability to understand the economic and fiscal context and produce forecasts. Our forecasts inform the Scottish Government's Budget and it is in everyone's interests that those forecasts are based on the best quality data possible.

There are already encouraging improvements in the range and quality of Scottish data available. The development of "Quarterly National Accounts Scotland" (QNAS) and "Government Expenditure and Revenues Scotland" (GERS), and their designation as National Statistics, demonstrates the progress that the Scottish Government has made on the data available for Scotland. We have a positive working relationship with the analysts working on economic data in the Scottish Government who are continuing to develop economic data as the data needs of the Commission evolve.

Similarly Revenue Scotland has improved the range of data they publish. Data which the Commission specifically had to request a few years ago now form part of regular data releases by Revenue Scotland. This covers breakdowns by tax band and information on repayments of the Additional Dwelling Supplement. Revenue Scotland has also become an Official Statistics producer and now pre-announces publication dates and includes commentary on the statistics. These are all welcome improvements.

It is essential that this progress continues, and we highlight in this statement a number of areas for further development.

On economic data we have four priorities. Two of these are requests to the Scottish Government, firstly to publish GDP by component of expenditure in constant prices in QNAS and secondly to publish more detailed QNAS breakdowns of public sector consumption expenditure and investment expenditure by different levels of government. Both of these are data we currently estimate in order to produce our forecasts. Having these series available as Official Statistics would enhance the quality and transparency of our economic forecasts. The two remaining areas are the production of timely and good quality data on Scottish wages and earnings and of more detailed breakdowns of household income for Scotland. This information is used in both our economy and income tax forecasts. Developments in these areas would require cooperative action by the Scottish Government, the ONS and HMRC.

We use fiscal data from both Revenue Scotland and HMRC and in the statement below we identify a number of areas where data developments are required to support our fiscal forecasts.

The fiscal framework agreement between the UK and Scottish Governments sets out that the Commission has a right of access to information and data to discharge our duties, and that the information we receive should enable us to produce forecasts which are of a comparable quality to those produced by the OBR. The fiscal framework agreement endorses sharing of analysis and models between the UK and Scottish Governments. This also extends to sharing with the OBR and the Scottish Fiscal Commission.

Unlike the OBR, which has a statutory right of access to information from both UK and Scottish bodies, we have a statutory right to information only from Scottish bodies.<sup>1</sup> This has presented us with additional challenges when seeking to obtain data we require from UK Government departments.

Last year we signed a Memorandum of Understanding (MoU) with HMRC that largely covers income tax but not our new responsibilities for VAT forecasting. We have started discussions with HMRC about a revised MoU which will cover the relevant requests in this statement. We hope to publish this document later in the year.

In order to produce our first forecasts in December 2017 we had a one-off agreement with the UK Department for Work and Pensions (DWP). We have been seeking to develop a relationship with DWP but currently do not have an agreed way of engaging with DWP and our most recent request for information was treated as a Freedom of Information request. This places us in the unsatisfactory position of not having any agreed route to access unpublished data and information held by DWP on the benefits due to be devolved to Scotland.

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<sup>1</sup> As set out in section 10 on pages 4 and 5 of the Scottish Fiscal Commission Act 2016 ([link](#))

The Commission seeks to adhere to the highest standards for analysis possible and voluntarily complies with the Office for Statistics Regulation's Code of Practice for Statistics. It's not surprising then that we think this Code should guide the publication of the statistics we use, including those from both UK and Scottish bodies. It is our view that both HMRC income tax outturn data and Revenue Scotland final data on receipts would be better published as Official Statistics rather than as part of the annual reports of these organisations.

We recognise that the resources available for data developments are limited, and have taken this into account in producing this statement. We have prioritised those improvements that will have the greatest impact on our ability to forecast bearing in mind the costs and feasibility of making the improvement. We will continue to work with the organisations covered by this statement on the developments we have proposed. In our next statement of data needs to be published in the autumn of 2019, we plan to review the progress on the issues we are raising here.

A handwritten signature in black ink, reading "Susan Rice". The signature is written in a cursive style with a large initial 'S' and 'R'.

Chair, Scottish Fiscal Commission  
Dame Susan Rice DBE

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# Chapter 1

## Introduction

- 1.1. In 2017 the Economy, Jobs and Fair Work (EJFW) Committee held an inquiry into the quality, timeliness and comprehensibility of Scottish economic statistics. The Committee recommended that “the statistical needs of the Scottish Fiscal Commission – given its responsibility for economic and fiscal forecasting - should be a top priority”. This underlines the importance of our forecasts in the Scottish Budget process.
- 1.2. The Committee also recommended that the Commission “annually set out its statistical needs”. We are committed to doing this as part of our annual reporting in September each year and this document constitutes our first formal statement of statistical needs.<sup>2</sup> The motivation for the inquiry originated from previous research commissioned by the Scottish Parliament’s Information and Research Centre (SPICe) which found that, given the extent of devolution, the UK’s statistical system needs to be tailored to producing data for the devolved administrations.
- 1.3. We welcomed the opportunity to give evidence in writing and in person to the Committee, as high quality Scottish data are vital for the work of the Commission.<sup>3,4</sup> From April 2017 the Commission has been responsible for producing independent and official forecasts for Scotland that feed directly into the Parliament’s Budget decisions and the Government’s cash management; in turn, the statistics produced by the Scottish Government and others are critical to the Commission creating these forecasts. Ensuring that these data are widely available and publicly trusted is of great importance for the accessibility and transparency of our forecasts.
- 1.4. The final inquiry report was published by the Committee in February 2018 and contained a series of recommendations addressed for the most part at the Scottish Government (SG), the Office for National Statistics (ONS) and Her

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<sup>2</sup> Scottish Fiscal Commission letter to Economy, Jobs and Fair Work Committee ([link](#))

<sup>3</sup> Scottish Fiscal Commission written submission to Economy, Jobs and Fair Work Committee ([link](#))

<sup>4</sup> Scottish Parliament: Economy, Jobs and Fair Work Committee - Official Report 31 October 2017 ([link](#))

Majesty's Revenue and Customs (HMRC).<sup>5</sup> We believe that implementation of conclusions of the inquiry, including the recommendation for the Commission to set out its statistical needs annually, will have a positive impact on the coverage, trustworthiness and value of Scottish data and be beneficial to all users of Scottish economic and fiscal statistics.

- 1.5. The Committee concluded that the statistical needs of the Commission should be a top priority, given our responsibility for economic and fiscal forecasting and the role of our forecasts in the Scottish Budget process. In particular, the Committee stated a requirement for the Scottish Government to address our statistical needs where it can collect the data, and for Scottish Government officials to work closely with ONS, HMRC and others where it cannot meet our requirements on its own.
- 1.6. The Committee also recommended that the Commission set out its statistical needs on an annual basis. In addition we will continue to engage with the Scottish Government, HMRC, ONS, Revenue Scotland and others to ensure our needs are considered as part of their user consultation and business planning activities.
- 1.7. This statement covers a broad range of statistical and data needs, as our economic and fiscal forecasts use various types of information in the underlying models and have different data requirements. We believe that further work to expand or improve the current data provision would be very valuable for our forecasts, and this document highlights the Commission's priority areas of interest for statistical developments. We will continue to engage with data providers to ensure that our needs are suitably considered, and we will publish progress updates in future editions of this report as recommended by the Committee.
- 1.8. While focusing on our statistical needs, this statement also discusses the progress made by the Scottish Government, Revenue Scotland, ONS, HMRC and others in improving the quality and availability of statistical information for Scotland in the areas we forecast. These welcome improvements have been important in assisting us to effectively fulfil our role to date.
- 1.9. As well as coverage and quality, the sharing and supply of data by UK organisations such as the Department for Work and Pensions (DWP) and HMRC is also important to the Commission. Establishing an agreed Memorandum of Understanding (MoU) with DWP is a priority for Commission, as explained in depth in Chapter 4. We already have a MoU in place with HMRC, but we are looking to revise this to reflect our recent expansion into VAT

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<sup>5</sup> Economy, Jobs and Fair Work Committee (2018) How to Make Data Count: Improving The Quality And Coverage Of Our Economic Statistics ([link](#))

forecasting and to align income tax data better to our May forecasting schedule.<sup>6</sup>

- 1.10. Furthermore, we think it would greatly support our work if the Commission had a statutory right of access to the data and information required to produce our forecasts which is held by UK bodies. In particular, this would cover information held by HMRC for partly devolved taxes (mainly income tax), and information from DWP on social security. Currently there is only a provision in the Scottish Fiscal Commission Act 2016 giving the Commission the right of access to relevant information that it may reasonably require from Scottish bodies for the purpose of performing its functions. The OBR was given a statutory right of access to information from Scottish bodies in section 21 of the Scotland Act 2016.

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<sup>6</sup> Memorandum of Understanding between the Scottish Fiscal Commission and HM Revenue and Customs ([link](#))



# Chapter 2

## Economy

- 2.1. Timely, comprehensive and high quality economic data are essential for making robust economic and fiscal forecasts. Significant advances have been made in the quality and range of Scottish economic statistics since devolution. Scottish economic data are now more comprehensive and timely than the corresponding data for the other regions of the UK. The developments in Scottish economic data are welcome and we think it is essential that this progress continues.
- 2.2. The data needs of the Commission are developing as our models continue to evolve and our role broadens, for example forecasting VAT. We have had regular discussions with the statisticians in the Scottish Government about our data needs and how these are likely to change in the future. These discussions have been positive and we believe the Scottish Government are treating the data needs of the Commission as a priority. We are already starting to see changes in the published economic data as a result of these discussions.
- 2.3. In 2017 the Economy, Jobs and Fair Work Committee held an inquiry into economic data. The Commission made a number of requests for areas of improvement in Scottish economic data.<sup>7</sup> Some of these requests were addressed to the Scottish Government.
- 2.4. The Scottish Government has helpfully responded to some of our requests when it published its economic statistics plan for 2018.<sup>8</sup> The Scottish Government stated that it will prioritise development work to meet the needs of the Commission, which we welcome as an important part of the process in responding to our data needs.

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<sup>7</sup> Scottish Fiscal Commission (2017) Letter to Economy, Jobs and Fair Work Committee response to call for views on economic data ([link](#))

<sup>8</sup> Scottish Government (2018) Scottish Economic Statistics Plan 2018-19 ([link](#))

- 2.5. In this chapter, we reiterate the requests we made in our response to the economic statistics inquiry and discuss the extent to which we think the Scottish Government's economic statistics plan addresses those requests. We have also added new requests to our original response, in order to reflect our evolving approach to forecasting and our changing data needs. We recognise the scale of the challenge involved in delivering these requirements, and that some developments might take a number of years to implement fully.
- 2.6. In our view there are four immediate priorities for development which would help improve our economy forecasts, and which would also be of benefit to our fiscal forecasts. These are:
- Expanding the coverage of the Quarterly National Accounts for Scotland (QNAS) by publishing GDP by component of expenditure in constant prices
  - Publishing, as part of QNAS, a more comprehensive breakdown of public sector expenditure in Scotland by different levels of Government
  - Developing more timely and detailed data on Scottish wages, for example creating a Scottish Average Weekly Earnings or using administrative data such as PAYE Real Time Information (RTI) from HMRC
  - Publishing more detailed breakdowns of household income for Scotland in QNAS
- 2.7. We consider these priorities in more detail in the sections below.
- 2.8. In relation to the first of these points, the Scottish Government has specified in its economic statistics plan that it will start to publish GDP by components of expenditure in constant prices during 2018-19 – which the Commission welcomes.
- 2.9. On the other three points raised by Commission, the Scottish Government has stated that it will start to explore and investigate these issues. We ask the Scottish Government to consider:
- Providing timelines for working on the Commission's requests, including indicative targets for when developments may be delivered
  - Providing regular updates on progress, for example at the Scottish Economic Statistics Consultants Group (SESCG)
  - Continuing to work with the Commission in developing these new products to ensure they meet our needs

## **Publication of GDP(E) in constant prices as part of QNAS**

- 2.10. The designation of QNAS as a National Statistics publication in 2014 was an important milestone in the development of economic data. The data in QNAS are a key source for the Commission's economy forecasts and the National Statistics kite mark for QNAS means we can be confident that these statistics are produced using sound methods and are subject to rigorous quality assurance requirements.
- 2.11. An area of current priority for the Commission is the publication of GDP by component of expenditure in constant prices (that is, adjusted for inflation) within the Scottish Government's QNAS. These are data that we currently have to estimate in order to produce our forecast. Having these data published as Official Statistics would enhance the accessibility and transparency of our forecast.
- 2.12. The National Accounts represent a single, comprehensive and consistent source of data on the Scottish economy and form the core of the Commission's macroeconomic forecasting. Although headline GDP and GDP by industry – or GDP(O) – are already published in constant prices, most of the rest of QNAS is published in current prices, because of the lack of price indices and deflators for Scotland.
- 2.13. The Commission forecasts economic growth both in constant prices (or real terms) and current prices (or nominal terms). As well as GDP(O), we also make use of GDP by expenditure – or GDP(E) – and GDP by income – or GDP(I). These are only available in current prices, so we have to create our own constant-price series using UK deflators or UK consumer prices.
- 2.14. We accept that the price information used by the Scottish Government would rely on UK data rather than Scotland-specific deflators. However, as long as the underlying sources and methodology are clear, having a National Accounts-based source for these data would be desirable. We believe having a single source of constant price GDP(E) published by the Scottish Government would be beneficial to the Commission and other users of Scottish economic statistics. It would allow all modellers and forecasters of the Scottish economy to work from the same base data. In addition, despite the inevitable limitations of constructing GDP(E) in constant prices, we believe the Scottish Government is in the best position to do this in a rigorous manner.
- 2.15. In its economic statistics plan the Scottish Government has stated that it will start to publish GDP by components of expenditure in constant prices during 2018-19. We welcome this development. Both before and after the publication of these new data the Scottish Government should continue to work with data users to ensure that the published data meet user needs. Any delays to publication should be flagged early to users.

## **QNAS breakdowns of public sector expenditure in Scotland**

- 2.16. Another priority is the publication of a more comprehensive breakdown of public sector expenditure in Scotland by different levels of Government, on the same basis as the available data are produced currently (that is, in nominal terms). These data are essential to producing our public sector expenditure forecasts.
- 2.17. Currently, the GDP(E) series provided in QNAS for consumption and investment by the public sector are mostly published for General Government as a whole - which comprises the Scottish Government (SG), UK Government expenditure in Scotland, and Local Government (LG). On Government consumption, a split between Central and Local Government is available in QNAS. However these data do not fully meet our needs, for two reasons; there is no further disaggregation between Scottish Government expenditure and UK Government expenditure in Scotland, and a similar breakdown of Government investment spending is not included.
- 2.18. Therefore, at present we rely on a number of sources to estimate the disaggregated data. We use modelling based on spending figures published by the Scottish Government to estimate SG consumption and investment expenditure. Estimates of LG expenditure are similarly obtained using the Scottish Government's LG finance statistics. Data on UK Government expenditure in Scotland are not available, so we estimate this as the difference between overall General Government expenditure from QNAS and the estimated SG and LG expenditure.
- 2.19. The lack of a coherent source of Government expenditure breakdowns is a current limitation in our forecasts. As described above, we have to make a number of assumptions about the composition of Government expenditure in Scotland. The Commission would welcome the publication of these data as part of the QNAS framework.
- 2.20. The Scottish Government is consulting on the need for a statistical publication covering devolved public sector finances in Scotland.<sup>9</sup> This new publication would not meet the Commission's need for detailed Government expenditure data, because of the conceptual and methodological differences from QNAS. The QNAS publication forms the core of our economy forecasting model. Therefore, for the transparency and accessibility of our work, it is important that the Government expenditure breakdowns are also produced on a national accounts basis, consistent with other economic statistics underpinning our forecast.
- 2.21. We welcome the Scottish Government's statement in its economic statistics plan that it will start to explore this issue. To aid progress in this area, we

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<sup>9</sup> Scottish Government (2018) Consultation on Devolved Finances in Scotland ([link](#))

would appreciate a clear timeline for development, to which both organisations can refer.

## **Data on Scottish wages and earnings**

- 2.22. The labour market is reasonably well surveyed by the ONS Labour Force Survey and the ONS Annual Population Survey for data on employment, unemployment, participation and hours worked. However, there is less information available on wages and earnings in Scotland. Analysis of Scottish earnings is an essential part of economic forecasts generally and income tax forecasts in particular.
- 2.23. The ONS publishes a number of statistical series on earnings from different surveys. The Annual Survey of Hours and Earnings (ASHE), which is available for Scotland, provides a range of breakdowns but is only published once per year with a lag of several months. Average Weekly Earnings (AWE) derived from the Monthly Wages and Salaries Survey is more frequent and represents the primary source of timely information on changes in earnings in the UK. However, values for Scotland are not provided.
- 2.24. In its forecasting work the Commission relies on the QNAS estimates of Compensation of Employees, which is derived to be both consistent with estimates of GDP and information available from ASHE. This is the primary source of information on earnings used in the Commission's economy forecasts. However, it does not, for example, allow for analysis by different types of income or types of individual.
- 2.25. To improve on this, the ONS could provide Average Weekly Earnings for Scotland from the Monthly Wages and Salaries Survey. This may be constrained by current sample sizes for Scotland, and any increase in sample size may have significant costs and may increase the burden on companies. However, these issues are still worth exploring further. Real Time Information (RTI) PAYE statistics now published by HMRC are a new source of earnings data, and the ONS is investing resources to explore the benefit of these administrative data.<sup>10</sup> The Scottish Government also has an interest in these data and are working with HMRC to improve the RTI publication for Scottish needs.<sup>11</sup>
- 2.26. We recognise the challenges involved in developing a Scottish equivalent of AWE data, and we support efforts to improve the usability of RTI PAYE data. However earnings forecasts are one of the most important inputs to the income tax forecasts. We are keen to have an open joint discussion with the

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<sup>10</sup> ONS (2018) Response to the Economy, Jobs and Fair Work Committee ([link](#))

<sup>11</sup> Scottish Government (2018) Response from Cabinet Secretary for Finance, Economy & Fair Work ([link](#))

ONS, HMRC and the Scottish Government on the most appropriate way to achieve this.

### **More detailed breakdowns of household income for Scotland**

2.27. The Commission would welcome the publication of more detailed breakdowns of household income in the Quarterly National Accounts for Scotland. This development is currently being pursued by the Scottish Government, and it would greatly support the work of the Commission if successfully implemented. In part this will depend on the regional breakdowns of Gross Disposable Household Income (GDHI) data being published by the ONS or by the Scottish Government.

2.28. Household income is the main determinant of non-savings non-dividend (NSND) income tax. We are looking to build additional capacity into our economy model to produce forecasts for different sources of NSND income, and enhancing the available household sector income data in QNAS is a key part of this. This would also help improve forecasts of household consumption, which is a central determinant in our fiscal forecasts.

2.29. It would be particularly useful if:

- Compensation of Employees could be disaggregated into wages and salaries (employment income) and employers' pension and non-pension social contributions (non-wage labour costs)
- Mixed Income (self-employment income of sole traders) and Gross Operating Surplus (which includes imputed rent) could be published separately
- Private pensions, state pensions and other social benefits could also be published separately, if it is feasible to derive estimates of these sub-components

2.30. We are keen that work to further develop GDHI statistics for Scotland continues. We will engage with the Scottish Government and the ONS to explore any existing unpublished data for Scotland on the more detailed categories of household income, with a view to making these data published.

### **Other statistical needs**

2.31. Improvements of lower immediate priority include:

- Publishing long-term Scottish economic time series
- Developing price data and deflators for Scotland
- Increasing data coverage for trade (imports and exports), business investment, and capital stock

- 2.32. Forecasting the economy depends on having long time series of data in order to have a better understanding of patterns and trends in the Scottish economy. The Commission would support efforts to extend GDP and QNAS series further back in time and on a consistent basis. We accept that these would have to be used with appropriate caveats and that the data are likely to be available only on an annual basis.
- 2.33. A further ask from the Commission is for the Scottish Government to explore developing more price data for Scotland, and to discuss this with the ONS. The ONS commissioned a feasibility study into producing a consumer price inflation measure for the UK regions, and have said that they are pursuing access to retailers' transactional databases in order to produce regional consumer price statistics.<sup>12,13</sup> While we welcome these developments, we would emphasise that the Commission's need for Scottish price data does not only refer to consumer prices but also to other price indices such as deflators.
- 2.34. It would also be helpful to increase coverage of some other areas, particularly trade (imports and exports), business investment, and capital stock. Capital stock estimates in particular would help improve forecasts of Scotland's productivity and potential output. We recognise though that these are very challenging areas in which to improve data collection and quality.

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<sup>12</sup> ONS (2017) Feasibility study into producing CPIH consistent inflation rates for UK regions ([link](#))

<sup>13</sup> ONS (2018) Response to the Economy, Jobs & Fair Work Committee ([link](#))



# Chapter 3

## Devolved Taxes

- 3.1. The Commission publishes forecasts for a number of devolved taxes, partially devolved and assigned taxes. This chapter presents the Commission's data needs in relation to tax.

### Income Tax

- 3.2. A significant proportion of the Scottish Government's budget is determined by forecasts of income tax. The budget is affected by both our income tax forecasts and the corresponding Block Grant Adjustment (BGA), based on Office for Budget Responsibility (OBR) forecasts of UK Government income tax receipts produced at the Autumn Budget. The Scottish Government's Budget for a given year is set based on the initial BGA and on our forecasts. Differences between our income tax forecasts and the forecasts used in the BGA could have a significant impact on the Scottish Government's Budget. The initial BGA and our estimates of income tax liabilities are not reviewed until the final outturn data are available, around two and a half years later. Any differences are then reconciled and included in the Scottish Government's Budget the following year.
- 3.3. If we do not have access to comparable data to the OBR, differences between the BGA and our forecasts could arise from data differences rather than from different relative growth rates in Scotland and the rest of the UK. For example, this could happen if we had to use a different year of Survey of Personal Incomes (SPI) data to the OBR. These differences in forecasts could have significant impact on the Scottish Government's funding. It is essential that our income tax forecast is based on data of comparable quality and timeliness to the data used in the OBR's UK forecasts.
- 3.4. Scottish income tax is collected by HMRC and our forecast is reliant on HMRC publishing data on income tax in Scotland. There are a number of distinct publications by HMRC that contain different information on Scottish income tax including: the Survey of Personal Incomes and the associated Public Use Tape (PUT); PAYE Real Time Information (RTI); and income tax

outturn data. There is scope for development across each of these publications.

3.5. Our main priorities for income tax data are:

- HMRC to provide Scotland-specific composite records in the PUT
- HMRC to develop an Official Statistics publication of Scottish outturn income tax liabilities
- HMRC to develop an Official Statistics publication of the PAYE RTI liabilities

3.6. HMRC have stated that they are willing to constructively and collaboratively engage with SFC on the above priorities.

### **HMRC SPI and PUT**

3.7. The SPI is a consistent one to two per cent sample of all HMRC income tax taxpayer records. It provides a detailed sample of income tax liabilities by individual taxpayer. Such detailed information is essential for modelling and forecasting income tax. HMRC and the OBR use the SPI as a basis for their income tax forecasts. We use a publicly available version of the SPI called the PUT in our income tax modelling. Both the SPI and PUT are only available with a considerable lag, with the SPI available around 20 months after the end of the tax year and the PUT available around two years after the end of the tax year. We are currently using PUT 2015-16.

3.8. Our Memorandum of Understanding (MoU) with HMRC has a provision for HMRC to supply the PUT by the end of May each year. For our May 2018 forecast, HMRC helpfully agreed to earlier sharing of the 2015-16 PUT dataset by the end of April so that it could be included as part of our May forecast. Without this, our forecast would have been based on the older 2014-15 PUT. This welcome flexibility allowed us to produce an income tax forecast in May 2018 on an equivalent basis to the latest HMRC and OBR income tax forecasts which were based on the 2015-16 SPI.

3.9. It is essential that the Scottish Government and HMRC continue to work to ensure that the PUT is published with sufficient timeliness to support our May income tax forecasts.

3.10. In the PUT dataset, some aggregated records are created by HMRC in order to anonymise the SPI dataset and protect taxpayer confidentiality, particularly for high income individuals. These are known as composite records. The process includes combining multiple high income taxpayers from across the UK into more aggregated composite records. When we receive the PUT, we then assign a share of each of these UK composite records to Scotland based on information provided by HMRC. Because of the UK wide aggregation,

these composite records may not be representative of Scottish high income taxpayers, and could introduce a source of systematic divergence between the SPI and the PUT.

- 3.11. We believe this process could be improved by having single-region composite records, at least for Scotland where there is a different income tax regime in place. While this may mean some loss of fidelity because of more high income cases having to be aggregated together within each region to achieve anonymity, we believe this would be more than offset by the gain from having region-specific composite records.
- 3.12. HMRC has stated to the Commission that they plan on looking into how Scottish only composite records can be added to future years of the PUT. The Commission considers this improvement a top priority for HMRC.

### **HMRC outturn data**

- 3.13. On 12 July 2018, HMRC published finalised 2016-17 non-savings, non-dividends (NSND) income tax receipts for Scotland.<sup>14</sup> The publication showed NSND income tax receipts in Scotland of £10,700 million in 2016-17. This was the first time figures have been produced on an outturn basis for Scottish taxpayers as defined in the Scotland Act 2012.<sup>15</sup> We welcome this publication of the definitive source of outturn income tax collected in Scotland.
- 3.14. Following publication, we asked HMRC for further information and clarification in a number of areas. In August, HMRC responded to the Commission and helpfully provided a number of additional pieces of information.
- 3.15. HMRC provided the Commission with estimates of the number of Scottish taxpayers by marginal band, rounded to the nearest 100. HMRC were happy for the Commission to make this information publicly available, and we have used it in our Forecast Evaluation Report.
- 3.16. HMRC also gave us an unrounded version of the 2016-17 NSND Scottish income tax receipts figure of £10,700 million, and a breakdown between Self Assessment (SA) and Pay As You Earn (PAYE) on a basis that better aligns with the Commission's forecasting needs than that used in HMRC's report. This additional information, which is currently not publicly available, will be used in future analytical work. The Commission strives to produce open and transparent forecasts and would support the publication, where possible, of any unpublished data we currently utilise in our forecasts.

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<sup>14</sup> HMRC (2018) Scottish income tax: figures in 2017-18 HMRC Accounts ([link](#))

<sup>15</sup> Scotland Act 2012. Scotland Act 2012, Section 25, 80D ([link](#))

- 3.17. We also discussed with HMRC the possibility of providing estimates of income tax liabilities by marginal band. HMRC said although it is not possible to provide at this stage, it is something that they are looking into providing.
- 3.18. Income tax outturn data are an essential part of fully understanding income tax in Scotland. The outturn data reveal important new information for everyone interested in Scottish income tax and we want to make sure this opportunity is fully exploited. We believe the outturn data are important for effective management of income tax in Scotland.
- 3.19. In addition, we need to understand how the outturn data differ from other sources of Scottish income tax information. As we have discussed in our Forecast Evaluation Report, there is a considerable difference between the income tax outturn data, and estimates of Scottish income tax liabilities in the SPI. To model and forecast income tax, we need to understand the differences between the SPI and the outturn data.
- 3.20. Looking to the future, to ensure that all users can fully understand outturn income tax data, and to understand how it differs from other data sources, we believe that the outturn data should be published on an annual basis as Official Statistics. This would provide a well-defined publication schedule, inclusion of relevant historical data and the opportunity for users to be consulted on its format. The publication should include on an unrounded basis:
- A headline estimate of Scottish NSND income tax receipts
  - This receipts figure broken down by marginal tax band
  - The total number of taxpayers, broken down by marginal tax band
  - An estimated split between SA and PAYE receipts on a comparable basis to RTI data
- 3.21. We ask HMRC to consider developing such a publication for future outturn data estimates and to consult with data users on its development.

### **HMRC PAYE RTI Information**

- 3.22. In July 2018, HMRC published its second experimental quarterly RTI publication which contains the number of individuals receiving pay from PAYE, their mean and median pay as calculated from that source, and the total amount of pay from PAYE in each country or region of the UK.<sup>16</sup> We welcome this publication as it helps inform our judgement about Scottish earnings growth.

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<sup>16</sup> HM Revenue and Customs (2018) UK Real Time Information, Experimental Statistics ([link](#))

3.23. In addition to this published information, HMRC also use the PAYE RTI system to provide the Commission and Scottish Government more timely estimates of Scottish income tax liabilities than are currently available from the PUT or from outturn data. We are currently evaluating whether this additional information can be used in our forecast methodology. The Commission would like to see this information published as Official Statistics.

### **Other HMRC data**

3.24. In addition to the PUT and outturn data discussed above, we receive from HMRC information on Tax Motivated Incorporations (TMI). This has informed the judgements and analysis underpinning our income tax forecast. The Commission would like to see this information published, so we can transparently show users of our forecasts where this information has been sourced.

### **HMRC MoU**

3.25. As part of our work on revising the MoU with HMRC, we are looking to formalise some of the points discussed above, including:

- Provision of the publicly available version of the SPI by middle of April, allowing time to incorporate into our May forecast
- Scheduling of an annual departmental development meeting to discuss improvements and developments for the SPI and PUT
- Formalising the process for receiving the RTI and Tax-Motivated Incorporations (TMI) information which play a role in our forecast

3.26. We hope to be in a position to publish our revised MoU later in the year.

### **OBR policy costing database**

3.27. As income tax and Value Added Tax are partially devolved, there are occasions when UK policy measures directly affect our forecasts in these areas. To account for this, we currently use OBR's policy measures database which provides information on newly announced policy costings.<sup>17</sup> Currently this database does not include any information on recostings of previous policy measures or behavioural effects. After each UK fiscal event, it would be beneficial if OBR could publish NSND income tax and VAT policy recostings which are significant in value.

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<sup>17</sup> OBR (2018) Policy measures database ([link](#))

## Value Added Tax

- 3.28. Over the last year the Commission has been developing an approach to forecast revenue from Value Added Tax (VAT) assigned to Scotland. In doing this, we have had helpful interaction with the HMRC and OBR forecasting teams on their methods. We have also had productive engagement with the Scottish Government, HM Treasury and HMRC on the VAT Assignment Outturn Model, which has been compiled to estimate the historic share of VAT. Early sharing of a provisional version of the model has enabled us to start developing our forecasting approach.
- 3.29. Our main priority for VAT is that HMRC publish detailed estimates from its assignment model on a regular timetable that meshes with the timing of Scottish Fiscal Events and hence our forecasting schedule.
- 3.30. A detailed assignment model for VAT in Scotland, with appropriate sectoral breakdowns, is a central need of the Commission. Given the lack of VAT outturn data for Scotland, the assignment outturn model will be both the baseline for our model and the method for assessing the accuracy of our forecast.<sup>18</sup> Having a clear timeline for updates to the model is therefore also an important requirement.
- 3.31. It will be essential for our forecast that the following estimates, for the latest year available and a five-year back series, are provided to us from the assignment outturn model:
- Scottish and directly comparable UK figure for VAT Total Tax Liability (VTTL). This is the baseline for our forecast and is needed to link our forecasts to tax gap forecasts and UK policy costing.
  - Breakdown of VTTL into the proportion of expenditure in each of the following sectors: Household; Foreign tourists; Non-profit making bodies; Exempt sector; Input tax blocks; Government; Exempt; Housing Investment. This is needed so that growth in these sectors can be individually forecast over the forecast period using appropriate determinants.
  - For each of these sectors, the equivalent proportion of spending which is liable for the standard rate of VAT. This is essential so that

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<sup>18</sup> Outturn VAT data will not be available for Scotland because VAT is collected by HMRC at a UK level. VAT returns include no information on where the sales of goods and services took place. It is therefore not possible to apportion VAT by country, and not possible to calculate VAT raised in Scotland from tax returns. That will still be the case when VAT is assigned to Scotland. As there is no outturn VAT receipts data for Scotland, the amount of VAT assigned to Scotland must be estimated using a statistical model, the assignment outturn model. The methodology for VAT assignment is currently under development by HMRC, HM Treasury and Scottish Government officials prior to ministerial sign-off by the Joint Exchequer Committee.

revenue from these sectors can be independently grown over the forecast period using appropriate determinants.

- The total value of adjustments to the Scottish VTTL for legitimate reasons that VAT will not be collected (e.g. unregistered traders, exports, museum and galleries and place of supply). Any adjustments because of domestic tourism should also be included. This is needed in order to accurately forecast the potential revenue from assigned VAT.
- The value of adjustments to historic data which are made because of place of supply. This is needed because of the rule change in 2015, meaning that we will need to adjust our forecast to correctly account for place of supply in the historic data.

- 3.32. Furthermore, because of lack of data at Scottish level, an initial assumption in our forecast will be that any changes in spending patterns (that is, towards or away from expenditure in durables) in the rest of the UK will also be followed in Scotland. The OBR commissions an econometric forecast model of the standard rated share (SRS) from HMRC for each of its fiscal events. The SRS model is a major driver of the OBR VAT forecast. We have had helpful engagement with the HMRC forecast team who have shared the annual growth rates in the Standard Rated Share (SRS) model with us. It will be important for our forecast that future updates to this model are shared on a mutually agreed timeline.
- 3.33. We request that both the details requested from the assignment outturn model and the headline growth rates from the SRS model are made publicly available in the form of an Official Statistics publication. HMRC, SG and Treasury should consult with the Commission and other data users on the best form and timing of this new publication.
- 3.34. The details of the assignment outturn model being made publicly available will make our forecasts accessible to our users and allow appropriate scrutiny of our forecast methodology.
- 3.35. VAT assignment will be implemented in 2019-20 as part of a transitional period where VAT will be calculated but there will not be an impact on the Scottish Government's budget. Following this transition period VAT will be the second largest source of tax revenue for the Scottish Government, after income tax. The process and details of assigning VAT revenue to Scotland need to be transparent if we are to fully explain changes to the forecast between fiscal events. The process of reconciliation to the Scottish Government budget needs to be open and clear.
- 3.36. Looking to the future, the Commission would welcome a more comprehensive breakdown of the proportion of expenditure assigned to Scotland for specific goods and services in each of the sectors. This would allow us to forecast more accurately how any UK government policy costing may impact on the

VAT assigned to Scotland. It would also be useful for model development on the SRS used in our forecast, by allowing us to look at trends in spending patterns in Scotland compared to the rest of the UK.

## **Non-Domestic Rates**

- 3.37. The Commission currently has access to several sources of unpublished data that we use to produce our forecasts of Non-Domestic Rates (NDR) receipts. Access to these data has been facilitated by Scottish Government, and there is a good working relationship between analysts in the Commission and Scottish Government. Data used in our forecasts include detailed snapshots of the valuation roll, available via the Scottish Assessors Association, as well as local authority data returns on NDR collections made available throughout the year via the Scottish Government. The Commission strives to produce open and transparent forecasts and would support the publication, where possible, of any unpublished data we currently use in our forecasts.
- 3.38. The Commission makes use of data covering properties that have claimed NDR relief in its modelling of policy changes. These data are collected by local authorities and then compiled and quality-assured by Scottish Government statisticians. This information is extremely important and valued greatly by the Commission, particularly when producing policy costings for changes made to NDR. We know this is a resource-intensive process and the data are provided only when they have been compiled and appropriately linked, but the Commission would welcome any improvements to the timeliness of this valuable dataset. We understand that work is already underway to improve the timeliness of this dataset, and we welcome this. We also note that the Scottish Government has committed to making information on properties claiming relief publicly available, following the recommendation of the Barclay Review, and we would therefore support the earliest possible publication of these data.<sup>19</sup>

## **Land and Buildings Transactions Tax**

- 3.39. Our forecast model for LBTT uses information from a wide range of sources, including Revenue Scotland, Registers of Scotland and HMRC. Whilst the range and quality of data available have improved, there are a number of areas where the data available to us could be further developed.

### **Revenue Scotland**

- 3.40. Over the last three years Revenue Scotland has improved the range of data it publishes. Data which the Commission had to specifically request a few years ago now form part of regular data releases by Revenue Scotland covering

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<sup>19</sup> Scottish Government (2017) Non-domestic rates: Implementation plan in response to the Barclay review ([link](#))

breakdowns by tax band and information on repayments of the Additional Dwelling Supplement. Revenue Scotland has also started producing their statistics as Official Statistics and now pre-announces publication dates and include commentary on the statistics. These are all welcome improvements. The Commission has a good working relationship with Revenue Scotland underpinned by a published Memorandum of Understanding (MoU) between the two organisations which sets out the shared principles of engagement which guide the working arrangements between the two organisations.<sup>20</sup> Both organisations plan to revisit and update the MoU during 2018 as would be good practice.

- 3.41. We work closely with analytical staff in Revenue Scotland to ensure we have the data we require for our Land and Building Transactions Tax (LBTT) forecasts. We have received support not just in data provision but also in the form of guidance provided by relevant experts to help us understand technical aspects of the tax and the related data. A very recent example of this was our supplementary costing for LBTT Group Relief published in May 2018 where we received advice to enable us to effectively interpret and construct a data set with appropriate caveats.<sup>21</sup>
- 3.42. As a result of establishing a close working relationship, our core data needs are now fairly settled. We are working with Revenue Scotland to streamline our regular data request process.<sup>22</sup> We look forward to further progress being made on our (and Scottish Government's) need for further data on the range of LBTT reliefs as Revenue Scotland explores the best possible avenue to meet the request.
- 3.43. Looking ahead, there are a number of areas of priorities for building on the existing data that we receive, recognising that Revenue Scotland is continuing to develop its own publications. Revenue Scotland publishes data on more than one accounting basis. Its monthly data publication is based on the date of receipt of tax returns, we request and are provided with effective date data based on the date the transaction occurred, and the Annual Report and Financial Statements present data on an accruals basis.<sup>23</sup>
- 3.44. While there are good reasons for different statistical and accounting bases, this creates some difficulties not just for our forecasts, but also for public

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<sup>20</sup> Scottish Fiscal Commission website: Memorandum of Understanding between Scottish Fiscal Commission and Revenue Scotland ([link](#))

<sup>21</sup> Scottish Fiscal Commission (2018) Supplementary Costings Non-Residential Land and Buildings Transaction Tax Group Relief – May 2018 ([link](#))

<sup>22</sup> The outputs of our data requests can be viewed on Revenue Scotland's website, under the heading "Data Requests" ([link](#))

<sup>23</sup> For further detail please see Box 3.3 in our May 2018 forecast publication ([link](#))

understanding of how our forecasts should be compared to revenues, and other sources of data on the property market.

- 3.45. One area where there has previously been confusion is the figures we use to evaluate forecasts. Recognising the requirement for our evaluation to take place on a similar basis to the final outturn data this year Revenue Scotland has agreed to provide the Commission with a set of pre-audit figures on the same basis as in the Annual Report and Financial Statements publication, which the Commission may use in its Forecast Evaluation Report.<sup>24</sup> In future years Revenue Scotland have committed to publishing the provisional, pre-audited figures at the time of the Provisional Outturn debate in the Scottish Parliament, which typically occurs in late June. We welcome this.
- 3.46. The Commission requests and receives data on an effective date basis three times per year, in order to produce our forecasts. Our publications include explanations of the different accounting basis of the data available which are based on advice from Revenue Scotland. We would encourage Revenue Scotland to similarly include such explanations on both their website and publications to improve public understanding of the different bases on which the data are published.
- 3.47. Our second main area for further work concerns the design of data collection by Revenue Scotland, for example as part of the forthcoming upgrade to the Scottish Electronic Tax System.
- 3.48. Revenue Scotland are currently working on the forthcoming upgrade to the Scottish Electronic Tax System, which will underpin the administration of LBTT and Scottish Landfill Tax (SLfT). We have identified engagement with Revenue Scotland on this exercise as an area offering the opportunity for further improvement in data Revenue Scotland collects. We note encouraging progress recently made with our initial engagement on the development of changes to the Scottish Electronic Tax System. We have had an informal discussion about how the IT change may influence the data Revenue Scotland collects as part of its statutory functions. We have also had an initial meeting to begin consultation on our data needs. We look forward to further engagement on this upgrade and formalising the process for future consultation in our updated MoU.

## **Registers of Scotland**

- 3.49. We use data on house prices and transactions from Registers of Scotland (RoS). It is possible to access RoS data on a property-by-property basis online for free; however, aggregate data must be purchased. We purchase a dataset containing all of the individual records of property transactions to

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<sup>24</sup> We note that Revenue Scotland provided these figures for the Scottish Parliament debate on 21 June 2018 on the provisional outturn figures ([link](#))

inform our LBTT forecasts. We have residential and non-residential transactions data from 2003 onwards. We are able to access the near-equivalent dataset for residential transactions for England and Wales from the Land Registry free of charge.

- 3.50. At present we are limited in the time-series analysis we are able to undertake by the length of data series available. A longer time-series would enable us to do more distributional analysis which would enhance the integrity of our forecasting model. We have informally made RoS aware of our desire to gain access to data pre-2003 as part of an exercise RoS was undertaking on customer data needs and during its user engagement day, both in early 2018. We were made aware in 2014 that the earlier years of the Registers of Scotland data is based on an incomplete set of records. We would also ask Registers of Scotland to advise on the feasibility of expanding its coverage in early years.<sup>25</sup>
- 3.51. The statistics RoS currently produces and makes available through its website are only on the basis of the date properties are registered. This occurs after the date when Revenue Scotland receives the LBTT tax return from the buyer and is therefore one of the very last steps in the purchasing process.<sup>26</sup> Crucially, it differs from the date of completion of transaction, which is when the tax liability arises.
- 3.52. We require data on date of completion (effective date) as the Commission's LBTT forecasts are based on this interpretation of accruals accounting. It is important that we forecast on this basis so that we do not risk misrepresenting any forestalling effects in the data. As RoS holds data based on both effective date and date of registration and we use the former for our LBTT forecasts, we would like to see RoS publish statistics on both bases. Doing this would ensure consistency and further enhance the transparency of the official forecasts.<sup>27</sup> The computational burden is low, rather we would envisage that any additional burden would be around the explanation of the statistics. We routinely include an explanation of different accounting treatments of LBTT

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<sup>25</sup> Despite this shortcoming, we still feel it is worthwhile to extend the RoS data back if possible as current alternatives, for example the historical series from DCLG (Department for Communities and Local Government), are based on very small sample sizes and we feel that there is significant scope for RoS to expand on these.

<sup>26</sup> Revenue Scotland LBTT Statistics ([link](#)). We note that the UK HPI, which uses RoS data for Scotland, is published on the effective date basis, but the UK HPI price series is calculated on a mix-adjusted basis rather than a simple average, which is what we require for our forecasts.

<sup>27</sup> The consistency point is an important one, as RoS analysts clean and sort the data before publication in a manner that we (and others we are aware of) have not been able to replicate exactly using our purchased datasets.

statistics in our main publications and would welcome other institutions that do something similar.<sup>28</sup>

## HMRC

3.53. Before the introduction of LBTT, HMRC administered the property transactions tax in Scotland. Revenue Scotland therefore does not hold any taxpayer data prior to April 2015. Staff from the Commission have to visit the HMRC Datalab in London to access and extract the earlier administrative tax data. The data coverage appears good but could be catalogued in a more organised way. It is also not clear the extent to which the HMRC data are consistent with the Revenue Scotland data. During visits to the HMRC Datalab we have found working with these data challenging and would ask that guidance is enhanced and expert advice made available to support our work. We would be keen to discuss with HMRC if there is a better way to access the information.

## Scottish Landfill Tax

- 3.54. The Commission has a good working relationship with Revenue Scotland in relation to Scottish Landfill Tax (SLfT). Queries and ad hoc data requests are handled quickly and effectively by Revenue Scotland statisticians who have provided considerable support to ensuring our understanding of how the data provided, and data from other sources, relate to the tax.
- 3.55. On the back of recent discussions, Revenue Scotland has agreed to explore whether unrounded Scottish Landfill Communities Fund payment figures could be provided to the Commission. This would help further inform the assumption we make regarding the contribution to be netted off the total tax revenue in our forecasting model.
- 3.56. A further request from the Commission is that Revenue Scotland consider whether their quarterly publication schedule could be better aligned to our own forecasting schedule. For example Revenue Scotland released SLfT data for Q4 2017-18 approximately two weeks after the Commission published Scotland's Economic and Fiscal Forecasts on 31 May 2018.<sup>29</sup> We would be keen to investigate whether future publications can be timed to enable the Commission to utilise the most up-to-date information in SLfT forecasts.

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<sup>28</sup> See for example Box 2.1 on p. 14 of Forecast Evaluation Report (2017) ([link](#)), Paragraphs 3.123 & 3.124 on pp. 131-132 of Scotland's Economic and Fiscal Forecasts (2017) ([link](#)), Box 3.3 on p. 118 of Scotland's Economic and Fiscal Forecasts (2018) ([link](#)) and Box 3.2 on pp 53-55 of Forecast Evaluation Report (2018) ([link](#)).

<sup>29</sup> Scottish Fiscal Commission (2018) Scotland's Economic and Fiscal Forecasts May 2018 ([link](#))

3.57. The Commission also has a strong relationship with the Scottish Environment Protection Agency (SEPA). We are grateful for the advice and support we have received regarding the SEPA data we currently use in our SLfT forecast model. Recent discussions with SEPA have proved fruitful and the Commission believe that gaining regular access to a broader set of data held by SEPA would support the development of the SLfT forecast model. These data are likely to inform forthcoming work on accounting for the Biodegradable Municipal Waste (BMW) ban, future waste incineration and other factors that could divert waste from landfill, such as exports and exploring the current refuse derived fuel (RDF) market in Scotland. Current discussions about the future facilitation of such data-sharing are likely to result in the publication of an agreed Memorandum of Understanding (MoU) between SEPA and the Commission.



# Chapter 4

## Social Security

### Background

- 4.1. The Commission is responsible for producing forecasts of devolved social security expenditure in Scotland. We also forecast expenditure for benefits where the Scottish Government has announced plans for these to be devolved in the future.
- 4.2. In accordance with our regulations, we have produced forecasts for a variety of areas including the main benefits devolved under the Scotland Act 2016, the Scottish Welfare Fund and the new Employability Services. As further benefits are devolved, we will produce independent forecasts of expenditure covering these areas.
- 4.3. To support the Scottish Parliament and the public in understanding and scrutinising Scottish Government policy, we will produce forecasts of expenditure when secondary legislation for Social Security benefits is published in the Scottish Parliament. Over the next year, we expect secondary legislation to be published for Funeral Expense Assistance, Best Start Foods and Best Start Grant.
- 4.4. To carry out our role in the most rigorous and effective manner possible, we require relevant and timely statistics to be made available for use in our model development and in our forecasts. Challenges that we face at present with social security forecasting include estimating the proportion of the population in receipt of qualifying benefits and predicting future benefit take-up rates. Wider coverage and improved quality of data would help overcome these challenges and facilitate better results.

## Social Security Scotland

- 4.5. The Scottish Government is in the process of setting up Social Security Scotland; the executive agency that will deliver social security benefits. The agency will be responsible for paying benefits and will hold information we will require to forecast expenditure. Changes to the design and delivery of the benefits once devolved are likely to impact on future levels of expenditure. The set-up of the agency is in its initial stages and we will continue to engage with staff in Social Security Scotland to ensure our data requirements are suitably considered early on when designing the data collection systems and the provision and publication of data. An immediate priority will be to establish formal data-sharing arrangements with this new agency.

## Department for Work and Pensions

- 4.6. Until the time when Social Security Scotland fully takes over the administration of Scottish benefits, we are heavily reliant on information from the Department for Work and Pensions (DWP). Some of this information is helpfully published online through Stat-Xplore.<sup>30</sup> This online tool allows us to construct our own data tables and importantly extract Scotland specific information about the main benefits. It is currently used to inform the forecasts for Carer's Allowance and we will use it for many of the benefits being devolved at later dates. Additionally, DWP publishes tables of annual benefit expenditure by country and region, which detail the amount spent on some benefits in Scotland. This information is also used in many of our forecast models.
- 4.7. Unfortunately, not all the information we require from DWP is publicly available. In order to produce our first forecasts in December 2017 we had a one-off agreement with DWP providing us with access to historic data on expenditure in Scotland on Sure Start Maternity Grant (SSMG) and Funeral Expense Payments (FEP). We were also provided with copies of DWP's forecasting models for Carer's Allowance, SSMG and FEP. We have been seeking to develop a relationship with DWP but currently do not have an agreed way of engaging with DWP. Without continued access to such data, it is hard for us to produce good forecasts.
- 4.8. Our latest request for information was treated as a Freedom of Information request by DWP. The information we requested, and received, covered the Scottish expenditure and caseload for the Sure Start Maternity Grant and Funeral Payments in 2017-18. The Scottish Government plans to devolve

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<sup>30</sup> DWP Stat-Xplore ([link](#))

these benefits by summer 2019 and this information on expenditure is essential for us to produce the most accurate forecasts possible.

- 4.9. We are actively seeking to develop our relationship with DWP through a formal memorandum of understanding (MoU) between DWP and the Commission. This would set out guidelines for engagement between the two organisations in areas such as sharing data and information. We believe this would help us get timely access to the information we need for our forecasts of social security expenditure. For example; DWP could share data models and send us the Scottish specific caseload, payment amounts and expenditure figures for the benefits which are not published on Stat-Xplore.
- 4.10. The agreement of a MoU between the Commission and DWP, and the sharing of such information would be in keeping with Part 7 (data and information sharing agreements) of Annex C of the fiscal framework agreement which requires that the Commission has access to the data and information we require to produce forecasts of a comparable quality to those produced by the OBR.<sup>31</sup>
- 4.11. We currently have published MoUs with HMRC and Revenue Scotland and principles for working with the OBR on our website.<sup>32</sup> Together with the protocol we have with the Scottish Government, these agreements have enhanced the way we work with others, including how we engage on the sharing and supply of data. This underlines the importance to us of agreeing an MoU with DWP.

## Scottish Government

- 4.12. Statistics made available by the Scottish Government through its website on the Scottish Welfare Fund and Discretionary Housing Payments (DHPs) are very helpful and we make extensive use of them in our forecasts. It would additionally help us if the Scottish Government was to supplement its statistics on DHPs with further detail on the amount spent to mitigate the UK Government decision to remove the spare room subsidy (RSRS) also known as the 'Bedroom Tax'.<sup>33</sup>
- 4.13. There are plans to devolve Carer's Allowance (CA) during 2018. After CA is devolved, it will continue to be administered by DWP at the rate set by the UK Government, until Social Security Scotland takes over delivery of CA. We will

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<sup>31</sup> The agreement between the Scottish Government and the UK Government on the Scottish Government's fiscal framework ([link](#))

<sup>32</sup> SFC website: How we work ([link](#))

<sup>33</sup> Scottish Government (2017) Welfare Reform (Further Provision) (Scotland) Act 2012 – Annual Report ([link](#))

continue to require access to statistics on expenditure and caseload for CA to produce our forecasts. Either DWP will continue publishing the data (preferably via Stat-Xplore) or the Scottish Government will receive the data from DWP and publish it themselves, as they have assumed executive competency.

- 4.14. The Social Security (Scotland) Bill includes a temporary provision to pay a Carer's Allowance Supplement to qualifying individuals on a twice yearly basis.<sup>34</sup> The qualifying and payment dates have not yet been set by the Scottish Government. In the absence of this information, our forecast for the CA Supplement remained illustrative in May 2018. Once the Scottish Government begins making CA Supplement payments, we ask that all relevant information and data are made publicly available by the Scottish Government so we can use them in our next set of forecasts.
- 4.15. The Scottish Government has committed to publishing a strategy on how it aims to assess and improve benefit take-up rates. We look forward to reading this and anticipate that it will support our ability to make informed judgments for future forecasts.

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<sup>34</sup> Social Security (Scotland) Bill (2018) [as passed] ([link](#))



# Summary

This statement covers a broad range of statistical needs, as our economic and fiscal forecasts use various types of analytical information in the underlying models and have different data requirements. The Commission’s statistical needs are summarised in Table 1.

We will evaluate progress on each of these needs in our next Statement of Data Needs, which we expect to publish in September 2019.

**Table 1: Summary of the Scottish Fiscal Commission’s statistical needs**

Forecast	Top priority statistical needs	Lower priority statistical needs
<b>Economy</b>	<p>GDP by component of expenditure in constant prices in QNAS (SG)</p> <p>QNAS breakdowns of public sector expenditure by different levels of government (SG)</p> <p>More timely and detailed data on Scottish wages and earnings (ONS/HMRC/SG)</p> <p>Detailed breakdowns of household income for Scotland (SG/ONS)</p>	<p>Publishing long term Scottish economic times series data (SG)</p> <p>Developing price data and deflators for Scotland (SG/ONS)</p> <p>Addressing data gaps (trade, business investment, capital stock)</p>
<b>Income Tax</b>	<p>HMRC to provide Scotland specific composite records in the PUT</p> <p>HMRC to develop an Official Statistics publication of Scottish outturn income tax liabilities</p>	<p>OBR to publish NSND income tax policy recostings which are significant in value</p>

	HMRC to develop an Official Statistics publication of the PAYE RTI liabilities	
<b>VAT</b>	<p>Detailed Assignment Outturn Model for VAT in Scotland, with clear timeline for updates</p> <p>Publicly available version of the assignment model data to include our required variables for the latest year available and a five-year back series</p> <p>Headline figures for Standard Rated Share (SRS) model of household spending (HMRC)</p>	<p>Longer time series for VAT assignment and more up-to-date estimates</p> <p>Publication of the headline figures for the Standard Rated Share model (HMRC/OBR)</p> <p>More comprehensive breakdown of the proportion of expenditure assigned to Scotland</p> <p>OBR to publish VAT policy recostings which are significant in value</p>
<b>Non-Domestic Rates</b>		Data on properties claiming NDR reliefs to be made available sooner (SG via LAs)
<b>Land and Buildings Transactions Tax</b>	Data on LBTT reliefs including new relief for first-time buyers (RS)	Pre-2003 transactions data (RoS)
<b>Scottish Landfill Tax</b>		<p>RS to share unrounded Scottish Landfill Communities Fund payment figures</p> <p>SEPA to share a broader dataset with the Commission</p>
<b>Social Security</b>	<p>Memorandum of Understanding with DWP</p> <p>DWP to make Scottish specific caseload, payment and expenditure figures (for the benefits which are not published on Stat-Xplore) available to the Commission</p>	<p>SG to supplement their DHP statistics with further data on mitigation of the 'Bedroom Tax'</p> <p>SG to provide expenditure and caseload statistics for Carer's Allowance Supplement</p>



# Abbreviations

<b>ASHE</b>	Annual Survey of Hours and Earnings
<b>AWE</b>	Average Weekly Earnings
<b>BGA</b>	Block Grant Adjustment
<b>BMW</b>	Biodegradable Municipal Waste
<b>CA</b>	Carer's Allowance
<b>DHP</b>	Discretionary Housing Payments
<b>EJFW</b>	Economy, Jobs and Fair Work
<b>FEP</b>	Funeral Expense Payment
<b>GDHI</b>	Gross Disposable Household Income
<b>GDP</b>	Gross Domestic Product
<b>GERS</b>	Government Expenditure & Revenue Scotland
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>LBTT</b>	Land and Buildings Transaction Tax
<b>LG</b>	Local Government
<b>MoU</b>	Memorandum of Understanding
<b>NDR</b>	Non-Domestic Rates
<b>NSND</b>	Non-Savings Non-Dividend
<b>OBR</b>	Office for Budget Responsibility
<b>ONS</b>	Office for National Statistics

<b>PAYE</b>	Pay As You Earn
<b>PUT</b>	Public Use Tape
<b>QNAS</b>	Quarterly National Accounts Scotland
<b>RDF</b>	Refuse Derived Fuel
<b>RSRS</b>	Removal of the Spare Room Subsidy
<b>RTI</b>	Real Time Information
<b>SA</b>	Self Assessment
<b>SEPA</b>	Scottish Environmental Protection Agency
<b>SESCG</b>	Scottish Economic Statistics Consultants Group
<b>SFC</b>	Scottish Fiscal Commission
<b>SG</b>	The Scottish Government
<b>SLfT</b>	Scottish Landfill Tax
<b>SPI</b>	Survey for Personal Income
<b>SPICe</b>	Scottish Parliament Information and Research Centre
<b>SRS</b>	Standard Rated Share
<b>SSMG</b>	Sure Start Maternity Grant
<b>TMI</b>	Tax Motivated Incorporations
<b>VAT</b>	Value Added Tax
<b>VTTL</b>	VAT Total Tax Liability

A full glossary of terms is available on our website.<sup>35</sup>

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<sup>35</sup> [link](#)

## Voluntary compliance with the Code of Practice for Official Statistics

The Commission seeks to adhere to the highest standards for analysis possible. While we do not produce Official Statistics (we produce forecasts), the Commission and our work voluntarily comply as much as possible with the UK Statistic Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.

### Correspondence and enquiries

Press enquiries should be sent to [press@fiscalcommission.scot](mailto:press@fiscalcommission.scot) or call Caroline Rham 0131 244 0929; Mob: 07974227021

For technical enquiries about the analysis and data presented in this paper please contact:

<b>Economy</b>	Silvia Palombi	<a href="mailto:Silvia.Palombi@fiscalcommission.scot">Silvia.Palombi@fiscalcommission.scot</a>
<b>Income Tax</b>	Chris Dunlop	<a href="mailto:Chris.Dunlop@fiscalcommission.scot">Chris.Dunlop@fiscalcommission.scot</a>
<b>VAT</b>	Laura Pollitt	<a href="mailto:Laura.Pollitt@fiscalcommission.scot">Laura.Pollitt@fiscalcommission.scot</a>
<b>NDR &amp; LBTT</b>	Rupert Seggins	<a href="mailto:Rupert.Seggins@fiscalcommission.scot">Rupert.Seggins@fiscalcommission.scot</a>
<b>SLfT</b>	David Jack	<a href="mailto:David.Jack@fiscalcommission.scot">David.Jack@fiscalcommission.scot</a>
<b>Social Security</b>	Claire Mellor	<a href="mailto:Claire.Mellor@fiscalcommission.scot">Claire.Mellor@fiscalcommission.scot</a>

For general enquiries about the commission and how we work please contact [info@fiscalcommission.scot](mailto:info@fiscalcommission.scot)

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