Frequently Asked Questions – Revised 14 November 2018

Why was the Scottish Fiscal Commission set up?

The need for independent scrutiny of Scotland's public finances was highlighted by the Smith Commission resulting from 'the additional variability and uncertainty that further tax and spending devolution will introduce into the budgeting process.'

The Scottish Fiscal Commission Act 2016 established the Commission as a statutory body, independent of the Scottish Government, to produce official fiscal and economic forecasts for the Government to use in its budget and financial planning. The Commission's forecasts will also assist the Parliament's scrutiny of the Budget and Budget Bill.

The Commission is part of a growing international trend to establish independent fiscal institutions to promote sound fiscal policy and sustainable public finances. The Commission was originally established as a non-statutory body in 2014 as the Scottish Government began to collect devolved taxes.

What is the Scottish Fiscal Commission?

The Commission is a Non-Ministerial Office and consists of independent Commissioners who are appointed by the Cabinet Secretary for Finance, Economy and Fair Work after an open public appointments process. The appointments are then subject to approval by the Scottish Parliament after a recommendation by the Finance and Constitution Committee. The Commission comprises of Dame Susan Rice (chair) and three other commissioners, Professor Alasdair Smith; Professor David Ulph, and Professor Francis Breedon.

How many staff does the Scottish Fiscal Commission have? How does this compare to the Office for Budget Responsibility?

The Commission has recruited 25 staff into the Commission from the Scottish and UK civil service, academia and the private sector.

The Office for Budget Responsibility is the UK's independent fiscal forecaster. It has around 30 staff, although it is difficult to make comparisons: they have a wider role on, for example, fiscal sustainability and spending policy costing, but use analysts across Whitehall Departments to produce their forecasts. The Commission has its own economic and tax models used to produce forecasts.

When are your forecasts published?

The Commission produces two substantive forecasts each year. The first is published at the same time as the Scottish Government's Budget usually in December with a second coinciding with the Scottish Government's Mid-Term Financial Strategy.

What does the SFC forecast?

The Commission's forecasting remit is specified by the Scottish Fiscal Commission Act 2016. The fiscal forecasts are for Scottish Government receipts from fully and partially devolved taxes and devolved social security expenditure. The Commission is also required to forecast onshore Scottish GDP.

We currently produce five year forecasts of tax receipts for Scottish Non-Savings Non-Dividend Income Tax, Land and Buildings Transaction Tax, Scottish Landfill Tax, Non-Domestic Rates and Air Passenger Duty. We will also forecast Aggregates Levy.

We also forecast social security expenditure for Carer's Allowance, Carer's Allowance Supplement, Discretionary Housing Payments, Employability Services, Funeral Payments, Healthy Start Vouchers, the Scottish Welfare Fund and Sure Start Maternity Grant. We will also forecast other benefits to be devolved as part of the Scotland Act 2016 such as Disability Living Allowance and Personal Independence Payments.

In addition the Commission forecasts the reasonableness of Scottish Minister's borrowing.

How do the forecasts help the Scottish Government decide on its Budget?

Our fiscal forecasts are used by the Scottish Government as they develop their annual Budget. This means the Government will have seen the forecasts before they are published alongside the Budget. The interaction between the Government and the Commission in the 10 weeks before the Budget is published in December and is governed by a Protocol that was agreed between the Chair of the Fiscal Commission and the Cabinet Secretary for Finance. The Protocol is published on the Commission's website.

The Parliament also makes use of the Commission's forecasts and its fiscal analysis during their scrutiny of the Budget and the Budget Bill. The Commissioners will give evidence to the Finance and Constitution Committee after their forecasts are published.

Do the fiscal forecasts determine the size of the Government's Budget?

The Commission's forecasts are an important component in determining the total budget that is available to the Scottish Government to spend in each fiscal year. However, it is important to remember that they are not the only forecasts which determine the amount available to the Government and typically a Block Grant Adjustment for each devolved tax depends upon forecasts made by the Office for Budget Responsibility.

The economic forecast of Scottish onshore GDP could in certain circumstances trigger additional borrowing powers under the Fiscal Framework agreement between the Scottish and UK Governments.

What are the consequences for the Budget if your forecasts are wrong?

For the fully devolved taxes and social security which are collected and spent in Scotland, any differences in receipts and expenditure will have to be managed by the Scottish Government within year. The Scottish Government has access to a number of cash management tools including the ability to borrow for forecast errors.

Income tax is collected by HM Revenue and Custom with full outturn data available 18 months after the end of the financial year, once self-assessment returns have been collected, and when any differences between our forecasts and the collected tax revenues will be reconciled. This process ensures that the cash available to the Government reflects the cash actually raised rather than the Commission's forecasts.

The Commission is required to publish an evaluation of its forecasts each year based on the available outturn data.

What other forecasts are available and who provides them?

The UK Office of Budget Responsibility produces forecasts of tax receipts and some social security spending for the UK and for Scotland using UK-wide assumptions, but not of Scotland's onshore GDP.

The Scottish Government produces its own forecasts from time to time to aid policy development. It also produces the Government Expenditure & Revenue Scotland report annually. This is an estimate of public sector accounts for Scotland through detailed analysis of official UK and Scottish Government finance statistics. It analyses Scotland's fiscal position under different scenarios within the current constitutional framework.

Think tanks and agencies produce forecasts using their own preferred models; however the Commission is Scotland's only official five-year fiscal and economic forecaster.

There are numerous academic and interest groups which publish forecasts and commentary on Scottish economic and fiscal matters from time to time.

How does the Scottish Fiscal Commission work with other fiscal agencies?

Numerous other agencies have interests in Scotland's fiscal development. On the collection side, Revenue Scotland is responsible for collecting the fully devolved taxes (Land and Buildings Transaction Tax and Scottish Landfill Tax) and HM Revenue and Customs collects Scottish Income Tax. The Commission has a close working relationship with both of these agencies and has developed a Memorandum of Understanding with each of them.

The UK Office of Budget Responsibility is the UK's independent fiscal forecaster. The Commission works closely with the Office for Budget Responsibility and has developed a set of principles on how they engage.

We work closely with a number of other data partners including the Scottish Government, the Scottish Environmental Protection Agency and Registers of Scotland.

Scottish Fiscal Commission
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