

Statement of Data Needs September 2019

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Foreword

We are pleased to report that there has been a positive response from all data providers to last year's Statement of Data Needs. Our forecasts inform the Scottish Government's Budget and it is in everyone's interests that those forecasts are based on the best possible data. In this Statement we highlight the areas where data provision has improved since last year as well as identify areas where further progress could be made.

Since last September, there have been encouraging improvements in both the range and quality of Scottish economic data available. The Scottish Government has published Gross Domestic Product (GDP) by component of expenditure in constant prices and a detailed breakdown of Scottish household income in the Quarterly National Accounts Scotland. These were two of our top priorities in last year's statement and we welcome the developments in these areas.

There has been a considerable improvement in the range of data available from Her Majesty's Revenue and Customs (HMRC). Our three top priorities for income tax data from HMRC, outlined in last year's report, have been delivered. These include the development of an official statistics publication of Scottish outturn income tax data, and a significant improvement to the main underlying survey data source we use in our forecast. A revised Memorandum of Understanding (MoU) was also agreed with HMRC to formalise some of our latest data requirements. We appreciate the ongoing engagement from HMRC, and the work that has gone in to fulfilling our data requests.

Revenue Scotland has continued to enhance on the already high-quality statistics that we use to produce our Land and Building Transaction Tax (LBTT) and Scottish Landfill Tax forecasts. Our top two priorities from last year's report have been delivered. Revenue Scotland has published guidance on its differing accounting approaches for LBTT in its first Annual Summary of Trends in the Devolved Taxes and published provisional and pre-audit figures for the devolved taxes. We also welcomed Revenue Scotland's response to our request to be fully engaged in the process to develop the new Scottish Electronic Tax System. We look forward to continuing our engagement in the year ahead as the new system is now operational.

Our working relationship with the Department for Work and Pensions (DWP) has evolved positively over the last few years. In spring 2019, we signed a MoU with DWP, to access the data required to fulfil our statutory duties; and we welcome the progress made to date with our data requests.

We are grateful for all the work and progress achieved in the last year as well as the constructive engagement of all our data providers. We very much hope that this progress continues and in this statement we highlight the following areas for further improvements. Our priorities for this year are displayed in the table in the Summary at the end of this Statement.

Earnings data continue to be the area of most concern in our economy forecasts, particularly because of the role of earnings in our income tax forecasts. As we stated last year, we are keen to engage with the ONS, HMRC and the Scottish Government on how to improve the availability of earnings statistics for Scotland.

Since we published our first Statement of Data Needs in September 2018, there has been a major improvement in the availability of Scottish income tax data. This year's data requests are less significant and focus on the usability of the data provided by HMRC. We would like HMRC to provide more information on how Real Time Information (RTI) liabilities data are created and their relationship with outturn data. Similarly, more clarity on the current income tax liabilities revision process is required. We believe that HMRC publishing a revisions policy would increase understanding and public trust in its data.

In the last year, there have been further social security developments. Through the devolution process, the Scottish Government is reforming the social security system, and the delivery of benefits. We have to produce forecasts with limited historical data and uncertainty about future plans; this explains our increasing data needs on social security. So we identify here a number of areas where data developments from the Scottish Government, Social Security Scotland and DWP are required to support our social security forecasts.

In this statement, we have prioritised the areas of improvements that will have the greatest impact on our ability to forecast. We recognise that resources are limited, and we have considered the costs and feasibility of making data developments when we produced this statement. Our aim is to support and continue working with all data providers on the developments we have proposed. We plan to review the progress on the issues we are raising here in our next statement of data needs, to be published in the autumn of 2020.

This document responds to the recommendations of the Economy, Jobs and Fair Work Committee following its inquiry into Scottish economic statistics. We remain grateful to the Committee for their suggestion that we publish an annual statement of our data needs and its recommendation that “the statistical needs of the Scottish

Fiscal Commission – given its responsibility for economic and fiscal forecasting – should be a top priority.”

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

Chair, Scottish Fiscal Commission
Dame Susan Rice DBE

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Chapter 1

Introduction

- 1.1. The Commission is responsible for producing independent and official forecasts for Scotland that feed directly into the Scottish Budget. Ensuring that the Commission has access to the relevant information is essential to the fulfilment of our statutory duties. It is of great importance for the accessibility and transparency of our forecasts that the statistics used in our forecasts are widely available and publicly trusted.
- 1.2. In 2017 the Economy, Jobs and Fair Work (EJFW) Committee held an inquiry into the quality, timeliness and comprehensibility of Scottish economic statistics. 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 give higher priority to producing data for the devolved administrations.
- 1.3. 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, the Office for National Statistics (ONS) and Her Majesty's Revenue and Customs (HMRC).¹
- 1.4. The Committee also concluded that the statistical needs of the Commission should be a priority, given our responsibility for economic and fiscal forecasting and the role of our forecasts in the Scottish Budget process. In addition, the Committee recommended that the Commission set out its statistical needs on an annual basis.
- 1.5. In September 2018, we published our first Statement of Data Needs.² The statement covered our existing data needs and the Commission's priority areas of interest for statistical developments. It also highlighted the

¹ Economy, Jobs and Fair Work Committee (2018) How to Make Data Count: Improving The Quality And Coverage Of Our Economic Statistics ([link](#))

² Scottish Fiscal Commission (2018) Statement of Data Needs ([link](#))

importance of data sharing agreements between the Commission and UK public sector bodies.

- 1.6. In this Statement of Data Needs 2019, we cover the progress made by the Scottish Government, Revenue Scotland, ONS, HMRC, Department of Work and Pensions (DWP) and others in improving the quality and availability of statistical information for Scotland in the areas we forecast.
- 1.7. As in the previous year's report, we discuss our data priorities and outline them in the Summary chapter. We consider that the expansion and improvement of the currently available data will be valuable to our forecast, and as in previous years, we will continue to engage with data providers to ensure that our needs are suitably considered.
- 1.8. We also cover the updates of the Memorandum of Understanding (MoU) between the Commission and HMRC to reflect the expansion into VAT and to align income tax data with our forecast schedule. In addition to the existing MoU, the Commission and DWP have recently signed a data-sharing agreement which set out how the two organisations will work together.³
- 1.9. 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 are 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 we only have a statutory right of access to relevant information from Scottish bodies and not from UK bodies. Our access to data held by UK bodies relies upon the fiscal framework agreement between the two Governments which states that we will be given access to the data we require.

³ Memorandum of Understanding between the Scottish Fiscal Commission and the Department for Work & Pensions ([link](#))



Chapter 2

Economy

- 2.10. This chapter focuses on Scottish data we need for our economy forecast. Last year we made a number of requests to the Scottish Government for specific developments to Scottish economic data. We are pleased to see the Scottish Government treating our data needs as a priority, for example in its economic statistics plan for 2018-19 and in its response to our previous Statement of Data Needs.⁴
- 2.11. Other organisations also contribute to producing Scottish economic data, including the ONS and HMRC. We believe these departments have an important role in driving further improvements to Scottish economic data.
- 2.12. The highest priority for development from our point of view is Scottish earnings data. Real Time Information (RTI) is a potentially rich source of earnings data but the information provided from RTI for Scotland is limited. In addition, as discussed in Chapter 3, we have concerns about the usefulness of RTI liabilities data to forecast Scottish income tax outturn. This also raises questions about using RTI earnings information to form judgements on the broader economy. We encourage HMRC, in collaboration with ourselves, the ONS and the Scottish Government to further explore what can be published from RTI for Scotland and the broader utility of the data.
- 2.13. As well as working to develop economy data, it is important that data providers continue to engage constructively with us. We ask the Scottish Government and other data providers to continue to:
- provide timelines for working on the Commission's requests, including indicative targets for when developments may be delivered
 - provide regular updates on progress, for example at the Scottish Economic Statistics Consultants Group (SESCG)

⁴ Scottish Government (2018) Scottish Economic Statistics Plan 2018-19 ([link](#)), Scottish Government (2018) Response to SFC Statement of Data Needs 2018 ([link](#))

- continue to work with the Commission in developing their products to ensure they meet our needs

Publication of GDP(E) in constant prices as part of the Quarterly National Accounts Scotland (QNAS)

- 2.14. The 2018-19 Scottish Economic Statistics Plan specified that the Scottish Government would start publishing GDP by expenditure components in real terms during the current year. We welcome progress in this area, which allowed for initial estimates to be used as the basis of our May 2019 forecast.
- 2.15. Estimates were published for the first time as experimental statistics alongside the 2018 Quarter 4 QNAS release on 1 May. An additional split of investment figures into the business, dwellings, and Government sub-components was requested by us and separately released as an ad-hoc supplementary table. Since then, the Scottish Government has undertaken further quality assurance of the methodology used to produce disaggregated investment estimates. A full breakdown of investment data was published in August alongside the 2019 Quarter 1 QNAS release as part of the main set of QNAS tables.

Further detailed breakdowns of household income for Scotland

- 2.16. Detailed quarterly estimates of household income were made available in the QNAS publication on 31 October 2018. A further split that would be useful to the Commission is a breakdown between mixed income from self-employment and mixed income from other sources such as rental of properties. This may be possible using the ONS breakdowns of regional Gross Disposable Household Income (GDHI), and the Scottish Government is engaging with the ONS to carry out further analysis and quality assurance of these data.

QNAS breakdowns of public sector expenditure in Scotland

- 2.17. At present, government consumption expenditure in QNAS is split between local and central government, but with no split between Scottish Government spending and spending by other UK Government departments in Scotland. There is no breakdown at all for government capital investment in Scotland.
- 2.18. The Commission makes estimates of these breakdowns in-house, but we would welcome the publication of these data as part of the QNAS framework.
- 2.19. Good progress has been made on estimates of reserved department spend in Scotland. These improvements will allow the Scottish Government to produce a full breakdown of central government final consumption expenditure as a user-requested additional table for the Commission, for use in our forthcoming forecasts and in model development. The Scottish Government continues work to develop a similar approach for government capital investment data and has committed to keeping us updated on progress.

Data on Scottish wages and earnings

- 2.20. The labour market is reasonably well surveyed by the ONS Labour Force Survey (LFS) 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.
- 2.21. 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 available.
- 2.22. In its forecasting work the Commission relies on the QNAS estimates of Compensation of Employees as a component of GDHI (that is, earnings of Scottish residents). 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.
- 2.23. To improve on this, the ONS could provide AWE for Scotland from the Monthly Wages and Salaries Survey. We recognise there are constraints to developing a Scottish AWE, such as the current survey design and sample size, and that addressing these constraints to obtain Scottish information may have additional costs or burden on businesses. However, these issues are still worth exploring further. RTI Pay As You Earn (PAYE) statistics now published by HMRC are a new source of earnings statistics, and the ONS is investing resources to explore the benefit of these administrative data.⁵ We would like HMRC to provide additional disaggregation of RTI data for Scotland, for example earnings by decile or percentile.
- 2.24. The Scottish Government also has an interest in these earnings data and are working with HMRC to improve the RTI publication for Scottish needs.⁶
- 2.25. We understand 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 ONS, HMRC and the Scottish Government on how to make progress in this area.

⁵ ONS (2018) Response to the Economy, Jobs and Fair Work Committee – 1 August 2018 ([link](#))

⁶ Scottish Government (2018) Response from Cabinet Secretary for Finance, Economy & Fair Work ([link](#))

Labour productivity statistics

- 2.26. Labour productivity is the main driver of long-run GDP growth and an essential component of our economy forecast. We look at past and recent trends in labour productivity growth in order to form our judgement on the pathway of productivity growth over the next five years.
- 2.27. The Scottish Government started publishing official statistics on labour productivity for Scotland in 2014. Although these estimates are part of the pool of evidence we consider in our productivity assessment, we do not directly use these statistics as our measure of labour productivity.
- 2.28. The productivity measure we use is based on the Scottish Government's estimates of GDP and the ONS LFS estimates of employment and average hours worked. Our approach is suited for measuring productivity at aggregate, whole-economy levels. The Scottish Government uses ONS regional statistics for productivity jobs and hours, which are different from the estimates directly available from the LFS. This can lead to different estimates from those we use in our productivity modelling.
- 2.29. The National Accounts team at the Scottish Government has an ongoing development programme for labour productivity and has indicated they are keen to improve the utility and public value of the statistics. One development we would like to be prioritised concerns the available options for jobs and hours data and, in particular, whether it would be an improvement to switch from the ONS regional model for productivity jobs and hours to data based more directly on the LFS. We would welcome this development as it would bring the Scottish Government estimates more in line with our approach, although some small differences in definitions are likely to remain. We would be happy to contribute to any consultation or user engagement in this area.

Other statistical needs

- 2.30. In last year's Statement of Data Needs we indicated the following areas of lower immediate priority:
- publishing long-term Scottish economic time series, accepting that there will be possible quality issues and that data are likely to be on an annual basis
 - developing price data and deflators for Scotland, including consumer prices and other deflators
 - increasing data coverage to include trade (imports and exports), business investment, and capital stock
- 2.31. The Scottish Government has said these requests reflect areas which are already being considered but which are not currently priorities for development. These areas will be reviewed with expert users and

stakeholders at the SESCOG meetings. The Scottish Government will consider whether there are resources available to prioritise them in the Scottish Economic Statistics Plan for 2019-20 or future years.

Fiscal data

- 2.32. We require information on fiscal data to inform our economic forecasts and our commentary on how our forecasts relate to the Scottish Budget, the fiscal framework and reconciliations. We also have a duty to assess the reasonableness of Scottish Ministers borrowing projections and we need to receive information from the Scottish Government to do this.
- 2.33. The Scottish Government provides us with good information in a timely manner on fiscal data including Government current and capital expenditure plans, public sector pay policy and borrowing plans.
- 2.34. The Scottish Government also provide us with the Block Grant Adjustment (BGA) figures which are agreed with HM Treasury ahead of our main forecast publications. The Scottish Government has improved transparency of the BGA figures through the publication of the fiscal framework outturn report and the updated data published following HMRC's release of the 2017-18 income tax data.⁷ We have not been able to include information in our Forecast Evaluation Report on the final reconciliation for Land and Building Transactions Tax, Scottish Landfill Tax or Carer's Allowance for 2018-19 as the BGA figures are not yet available. We would like to engage with the Scottish Government to see whether this information can be made available for future years as our Forecast Evaluation Report forms an important role in supporting the Finance and Constitution Committee's pre-Budget scrutiny.

⁷ Scottish Government (2019) July 2019 data annex for Fiscal Framework Outturn Report ([link](#))



Chapter 3

Tax

Income Tax

- 3.1 In our September 2018 Statement of Data Needs we had three top priority statistical needs addressed to HMRC. These were to:
- provide Scotland specific composite records in the Public Use Tape (PUT)⁸
 - develop an Official Statistics publication of Scottish outturn income tax liabilities – including receipts and number of taxpayers broken down by tax band, and a split between Self Assessment and Pay As You Earn (PAYE) receipts by collection method
 - develop an Official Statistics publication of PAYE RTI liabilities
- 3.2 We are pleased to note that all three of these priority requests have been delivered by HMRC.
- 3.3 In April 2019, HMRC provided us with the 2016-17 PUT including Scotland-specific composite records. This improvement means that we have further confidence in the underlying PUT data accurately representing Scottish additional rate taxpayers.
- 3.4 On 18 July 2019, HMRC published an experimental statistics publication on Scottish income tax outturn data and a monthly PAYE RTI liabilities series. The publication includes a number of different breakdowns of the data, such as the breakdown of liabilities by tax band, that will allow us to better align our forecast to the outturn data.
- 3.5 These new publications represent a step change in the availability of Scottish income tax data and the ongoing publication of these data are fundamental to the development of our Scottish income tax forecasts. We appreciate the

⁸ We forecast Scottish income tax liabilities using the Survey of Personal Incomes (SPI) Public Use Tape (PUT). The SPI is a sample of HMRC taxpayer records, and the PUT is a publicly available anonymised version of the SPI

ongoing engagement from HMRC, and the work that has gone into fulfilling our September 2018 Statement of Data Needs requests.

- 3.6 We present some further requests for Scottish income tax data in this report. However, these are less significant than the requests in our September 2018 report, to refine the data already available.

PAYE Real Time Information (RTI)

- 3.7 Outturn Scottish income tax data are only available with a lag of around 15 months. HMRC have been working on exploiting information from their PAYE Real Time Information (RTI) to provide more timely data on earnings and tax liabilities.
- 3.8 We use the RTI earnings information as part of our judgement on wage growth. The information is also used in the Quarterly National Accounts Scotland (QNAS) compensation of employees data. The economy section in this publication details the requests regarding the earnings RTI data. This section covers our request related to the PAYE liabilities data.
- 3.9 The RTI liabilities data provide timely information on PAYE receipts, available with a lag of around two months. It is likely that most users of RTI data in Scotland view them as an early indicator or predictor of outturn data. For us, the information is a potentially valuable source for forecasting Scottish income tax, and we would like to make greater use of it in our forecasts.
- 3.10 However, with the data available so far, there appears to be some divergence between what the RTI data show and what the eventual outturn data show. This raises questions about using RTI to forecast Scottish income tax outturn, and also its broader interpretation by users of the statistics.
- 3.11 Table 3.1 compares the PAYE component of Scottish income tax outturn data to RTI liabilities. RTI data are higher in levels than the outturn data, and the gap appears to be growing over time because the data also show a faster growth rate than outturn liabilities, with RTI growing 1.1 percentage points faster than outturn between 2016-17 and 2017-18.

Table 3.1: Comparison of PAYE component of Outturn and RTI liabilities

Year	Outturn PAYE collection		RTI Liabilities Data		Difference	
	Level (£m)	Year-on-year growth (%)	Level (£m)	Year-on-year growth (%)	Level (£m)	Level (%)
2016-17	9,768		9,986		-218	-2.2
2017-18	9,897	1.3	10,221	2.4	-324	-3.3

Source: HMRC (2019), Scottish Income Tax Outturn Statistics ([link](#)), Scottish Fiscal Commission.

Figures may not sum to totals because of rounding.

- 3.12 In their July 2019 experimental publication, HMRC stated that the RTI liabilities data are not comparable to the outturn data presented elsewhere in the document. HMRC says that the RTI data include other non-outturn elements such as tax code adjustments for savings and dividends income, Higher Income Charge for Child Benefit and non-taxable employee expenses paid through payroll with tax deducted.
- 3.13 We want to understand further the reasons for this apparent divergence between RTI and outturn data, and think HMRC is best placed to undertake the necessary analysis.
- 3.14 We would like HMRC to provide more information on how RTI is created and its relationship with outturn data. For example, does the Scottish taxpayer identification process mean that RTI may show different values to the outturn estimates? It is essential that all users of the RTI data understand its limitations and relationship to the outturn data.
- 3.15 Separately, we would like HMRC to consult with its users on the frequency of the publication of the monthly RTI liabilities series. If we start using these data in our forecasts, we would like to be able to reference a publicly available data source. HMRC's July publication only contains information up to March 2019. By the time of our winter forecast we will have received further data from HMRC, beyond what has been published.
- 3.16 We would also like HMRC to provide additional disaggregation of RTI data for Scotland, for example earnings by decile or percentile.

Outturn data revisions

- 3.17 HMRC has now published Scottish income tax outturn data for 2016-17 and 2017-18. While the income tax outturn statistics are largely based on administrative data, there are still some modelled and estimated components. As with all statistics, the income tax outturn estimates could be further revised. Revisions could occur because:
- when the outturn estimate is published, there will still be some unresolved tax cases for the year in question, for example because of late payments, legal disputes, or incorrect identification of taxpayers as resident in Scotland or rUK. HMRC currently estimates any additional tax due, but additional information will become available as outstanding cases are settled, and the estimated component can eventually be replaced with outturn data.
 - over time HMRC may develop and improve methodologies for apportioning income tax to Scotland from different sources.
 - there may be errors in the outturn estimate that need to be corrected.

3.18 It is standard practice for official statistics to have a revisions policy. HMRC's current policy is that the first outturn estimate presented in its publication is the final outturn for the tax year. We believe that HMRC should have a revisions process for these statistics. This may mean that in the future the outturn estimates for 2016-17 and 2017-18 get revised. We believe a revisions process for income tax outturn data is necessary because:

- it increases public trust and confidence in the data
- we can have greater certainty that we are using the best possible data in our forecasting models
- an understanding of the timing and potential scale of income tax data revisions is important for the long-term effective operation of the fiscal framework

Non-Domestic Rates

3.19 The Commission 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 the 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 supports the publication, where possible, of any unpublished data we currently use in our forecasts.

3.20 In its modelling of policy changes, the Commission makes use of data covering properties that have claimed NDR. 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. We welcome the work the Scottish Government has undertaken to improve the timeliness of the publication of this dataset. 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 support the earliest possible publication of these data.

3.21 The Scottish Government has also provided the Commission with pre-release access to the distributable amount, which has enabled us to calculate and publish the projected balance of the NDR Pool in our Budget forecast.⁹ This is an important contribution to our assessment of the overall resources available to the Scottish Government (referred to as a 'fiscal factor').¹⁰ As such, pre-

⁹ The NDR pool is also known as the Non Domestic Rating Account.

¹⁰ Scottish Fiscal Commission Act 2016 ([link](#))

release access to the data thus makes an important contribution to our Budget forecast and enables us to regularly and transparently publish information on the Pool.

Land and Buildings Transactions Tax

3.22 Our forecast model for Land and Building Transactions Tax (LBTT) uses information from a wide range of sources, including Revenue Scotland, Registers of Scotland and HMRC. The range and quality of data available have improved and we will continue to work with Revenue Scotland to explore areas where the data available could be further developed.

Revenue Scotland

3.23 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.¹¹ Both organisations will publish an updated MoU during 2019.

3.24 We work closely with analytical staff in Revenue Scotland to ensure we have the data we require for our 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.

3.25 As a result of establishing a close working relationship, our core data needs for forecasting continue to be met. We welcome the publication of the provisional and pre-audit tax figures for 2018-19 that we requested in our statement last year, which will prove central to our Forecast Evaluation Report. We also welcome the publication of Revenue Scotland's first annual statistical publication.¹² In our last statement, we encouraged Revenue Scotland to publish explanations of the various accounting treatments for LBTT revenues. We were pleased to see that such an explanation was included in the annual statistical publication and in their statistics user day. We hope that Revenue Scotland will continue to build on these efforts to provide clarity on an important and often underappreciated aspect of our forecast data.

3.26 Looking ahead, our main area for continued work concerns the design of data collection by Revenue Scotland as part of the forthcoming upgrade to the Scottish Electronic Tax System. Since our last statement, we have had good engagement with Revenue Scotland, covering the proposed shape of the new data collection system and possibilities for what new data might be collected. Following the first wave of implementation, we look forward to further

¹¹ Memorandum of Understanding between the Scottish Fiscal Commission and Revenue Scotland ([link](#))

¹² Revenue Scotland (2018) Annual Summary of Trends in the Devolved Taxes 2017/18 ([link](#))

discussions with Revenue Scotland to explore possibilities for additional data collection.

Registers of Scotland

- 3.27 We use data on house prices and transactions from Registers of Scotland (RoS). RoS provides us with pre-release access to their quarterly house price data release and with advice on technical queries about their data.
- 3.28 It is possible to access some RoS data such as sales consideration on a property-by-property basis online free of charge. RoS also publicly publishes a range of official statistics on the Scottish property market.¹³ However, complete property transaction record data are only available from RoS for a fee. We made a one-off purchase of the dataset containing all of the individual records of property transactions from April 2003 up to 2017-18 to inform our LBTT analysis. We are able to access the near-equivalent dataset for residential transactions for England and Wales from the Land Registry free of charge. We would be keen to explore options highlighted by the Economy & Fair Work Committee last year: “we wonder whether the cost might be shared between those public sector bodies acquiring the data and protocols put in place for distribution. The Committee asks that the Scottish Government look into the matter”.¹⁴
- 3.29 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 previously made RoS aware of our desire for data pre-2003 if possible and we intend to continue to explore this possibility with RoS.

Scottish Landfill Tax

- 3.30 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.
- 3.31 Following recent discussions, Revenue Scotland has agreed to explore whether unrounded Scottish Landfill Communities Fund (SLCF) payment figures could be provided to the Commission.
- 3.32 A further request is for the Commission to work with Revenue Scotland to explore the feasibility of better aligning its quarterly publication schedule to our

¹³ Registers of Scotland, House Price ([link](#)) and Transactions ([link](#)) statistics

¹⁴ Economy, Jobs and Fair Work Committee (2018) How to make data count: Improving the quality and coverage of our economic statistic – February 2018 ([link](#))

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. We appreciate this may not always be possible given the uncertain timings of fiscal events. We would be keen to investigate circumstances under which future publications might be timed to enable the Commission to use the most up-to-date information in SLfT forecasts.

- 3.33 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 future data-sharing may result in the publication of an agreed Memorandum of Understanding (MoU) between SEPA and the Commission, should both parties deem it appropriate.

Aggregates Levy

- 3.34 In recent years, the devolution of the Aggregates Levy has been held up by legal proceedings related to the UK levy. Whilst these have now been resolved, we do not anticipate the tax will come into effect in Scotland for some time, in part due to the review of the UK Aggregates Levy which is currently being conducted by the UK Government.¹⁵ Our intention in future years is to produce an illustrative forecast in order to help inform debate. In order to produce a credible estimate for the Scottish share of Aggregates Levy, good data on aggregates are required. The source of information currently used to estimate the Scottish share of Aggregates Levy relies on data from the 'UK Minerals Yearbook'. The latest information relates to 2014-15 and is becoming increasingly out of date. We would welcome any developments in data sources to inform our future work on Aggregates Levy.

VAT

- 3.35 We previously expected VAT assignment to be implemented from 2020-21. On 15 May 2019, the Cabinet Secretary for Finance, Economy and Fair Work sent a letter to then Chief Secretary to the Treasury asking her "...to seriously

¹⁵ HM Treasury (2019) Review of the Aggregates Levy: discussion paper ([link](#))

consider the case for a delay to the implementation of VAT assignment and review the case at the time of the Fiscal Framework review”.¹⁶

- 3.36 Since May, there has been no formal response from the UK Government to this request, so the status of VAT assignment is still unclear at the time of publication of this report.
- 3.37 If implemented, VAT assignment is likely to have a significant effect on the Scottish Budget and our forecasts. We ask the Scottish and UK Government to provide as much clarity as possible on the timing of implementation of VAT assignment. We think a decision on VAT assignment implementation must be made in September, in good time for the next Scottish Budget.
- 3.38 On 30 May 2019 HMRC published experimental Scottish VAT assignment estimates for the first time for the period 2011 to 2016. We welcome this initial contribution to providing VAT assignment data. As we set out in our May SEFF, whether or not implementation of VAT assignment is delayed, it is desirable that HMRC continue to publish VAT assignment estimates.
- 3.39 As a user of the VAT assignment estimates we set out in further detail some of our needs below.

Timing of publication

- 3.40 VAT assignment estimates and forecasts are necessary for determining the Scottish Government’s funding. Given the interaction between VAT assignment and Scotland’s funding in the Scottish and UK Budgets, it is important that the Scottish and UK Budgets are based on the same VAT assignment information. Table 3.2 shows the annual cycle of the Scottish and UK budgets.

Table 3.2: Typical Scottish and UK budget cycles

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
UK	Spring Statement								Budget			
Scotland			MTFS							Budget		

Source: Scottish Fiscal Commission

- 3.41 Publishing updated VAT assignment information between the UK and Scottish budgets would create significant forecast coordination problems and could affect the funding available for Scotland.
- 3.42 The Scottish and UK Budgets published in Autumn and Winter determine the funding for Scotland for the year ahead. The UK Budget is normally in October or November, while the Scottish Budget is normally in December. The process

¹⁶ Correspondence from Cabinet Secretary for Finance, Economy and Fair Work to Chief Secretary to the Treasury (2019) ([link](#)).

for preparing forecasts and setting the Budget lasts several weeks in the run-up to publication.

- 3.43 Scottish VAT assignment data should be published in sufficient time to be used in both the UK and Scottish Budgets. This would suggest a routine publication by early September each year at the latest.

VAT estimates for 2017

- 3.44 In May 2019 HMRC took the decision to delay publication of VAT estimates for 2017, stating that they needed time for further quality assurance of their VAT assignment model. At the time HMRC announced they would publish the 2017 estimates in August 2019.
- 3.45 Shortly before the publication of this report, HMRC informed us that they were again delaying publication of the 2017 figure. They said that they are still completing the quality assurance work on their VAT assignment model, and they have to work through quality assurance issues with some of the underlying data sources. This decision was made in conjunction with the VAT working group. We believe the 2017 figure should have been published in August as had been announced with appropriate caveats and later revised if necessary.
- 3.46 As highlighted in the previous section, an early September publication better aligns with the timing of the UK and Scottish budgets. If VAT assignment implementation does go ahead for 2020-21, we think SFC and OBR Scottish and UK budget forecasts must be based on consistent estimates of the latest available VAT assignment estimates. This would be challenging if publication of 2017 VAT assignment estimates is delayed until later in Autumn. We also feel that the latest data are important for transparency and for there to be an informed public debate about VAT assignment.
- 3.47 In our September 2018 we called for timely publication of VAT data that was coordinated with the timing of Scottish fiscal events. It is disappointing that a year on the publication of VAT assignment data is still irregular and uncertain.

Provisional estimates and revisions

- 3.48 As with all statistics, VAT assignment estimates are likely to be revised over time. Scottish VAT assignment is estimated using a number of input data sources, each with their own publication and revisions process. VAT assignment estimates may need to be revised following revisions to input data, methodological revisions, or just for correcting errors.
- 3.49 We ask HMRC to publish a clearly defined revisions process for VAT assignment estimates that takes into account the needs of data users.



Chapter 4

Social Security

Background

- 4.1 There are particular challenges with social security as some factors that drive spending cannot be accurately measured. Expenditure on any social security benefit depends both on the number of people who are eligible to receive social security support (the eligibility rate) and on the number of individuals who take up that support (the take-up rate). There are no data sources that reliably show the number of people eligible for social security support. For example, we do not know how many carers in Scotland are caring for someone, meeting the Carer's Allowance (CA) eligibility criteria, but not taking up support. As a result, our views on eligibility and take-up will always rely on judgement, rather than being purely data-driven.
- 4.2 The main data we use to inform our forecast are the number of people who have received social security support in previous financial years, also referred to as the caseload data. Until Social Security Scotland fully takes over the administration of Scottish benefits, we are heavily reliant on caseload data from the Department for Work and Pensions (DWP). The transition from DWP to Social Security Scotland as our main data provider will take place over several years, as DWP will continue to administer some benefits on behalf of the Scottish Government until the transition is complete in 2025.

Department for Work and Pensions

Stat-Xplore

- 4.3 DWP publishes the majority of the data we require for our forecasts using an online tool called Stat-Xplore. This tool allows us to construct our own data tables for the main benefits and extract Scotland-specific information.
- 4.4 For some benefits, there will be agency agreements in place so DWP will continue to administer the devolved benefits on behalf of the Scottish Government. Our preference during this transition phase is that DWP continues to publish data for Scotland on Stat-Xplore, ensuring we have access to data produced in the same way as the historic data. This has been

the approach for CA which was devolved in September 2018 but continues to be administered by DWP. If this approach changes for further benefits to be devolved in April 2020, and Scottish data were no longer published using Stat-Xplore, this would create a significant number of data requests.

- 4.5 As part of our remit we cost the Scottish Government's mitigation of the Removal of the Spare Room Subsidy (RSRS), also referred to as the bedroom tax. As the RSRS is a UK Government policy applied to reserved benefits, we rely on information on Stat-Xplore to estimate the cost of the Scottish Government's mitigation. Currently the number of people who are affected by the removal of the spare room subsidy and the average reduction is only available for those in receipt of Housing Benefit. We would find it helpful to see the comparable figures for Universal Credit published on Stat-Xplore, and to receive any internal estimates or analysis which DWP may have produced for either Scotland or Great Britain (GB) as a whole.
- 4.6 Another Stat-Xplore development that we would be keen to see is the introduction of the initial award lengths data for Personal Independence Payments. Given award reviews and award lengths are areas that may change when working-age disability support is devolved, it is important to understand what awards current Scottish recipients are receiving.

Information not on Stat-Xplore

- 4.7 Not all benefits are on the Stat-Xplore online tool. For Industrial Injuries Disablement Benefits (IIDB), DWP produces quarterly statistics. These statistics show the total number of people receiving payments from the IIDB scheme in Scotland and the number of new claims in Scotland each quarter.¹⁷ To produce a robust forecast we have to develop an understanding of the Scottish scheme recipients. We would like to see:
- the caseload in Scotland split by age and sex, as it is published for GB (table IIDB2.1 in the published statistics)
 - the average weekly payment amount in Scotland, as it is published for GB (table IIDB1.2 in the published statistics)
- 4.8 Without the information outlined above it is difficult to assess if there are differences between the Scottish recipients and the overall GB recipients that we should be capturing in our forecasts. We recognise that this information is not currently routinely extracted by DWP, and we are working with DWP to understand what data may be provided.
- 4.9 Industrial Injuries is just one example where the information we require for forecasting may not be publicly available. We signed a Memorandum of

¹⁷ DWP Industrial Injuries Disablement Benefit: quarterly statistics ([link](#))

Understanding (MoU) with DWP in spring 2019.¹⁸ This MoU sets out how we will work together to ensure we have access to the information required to fulfil our statutory duties whilst minimising the burden to DWP. It is early days for the operation of the MoU and we are happy with the progress made to date with our requests for information.

- 4.10 DWP publishes tables of annual benefit expenditure by country and region, which estimate the amount spent on social security in Scotland. This information is also used in many of our forecast models. Again it is unclear how this process will work once the other agency agreements commence in April 2020. If Scottish expenditure is no longer published by DWP, we would look to Social Security Scotland to publish these figures.
- 4.11 DWP also publishes a decomposition of the annual expenditure for some benefits. This shows a breakdown of gross expenditure by month, and the total difference between gross and net expenditure for the year. This information is usually released in mid-September, but it would be helpful for us to receive the underlying data in time for it to inform our Forecast Evaluation Report, published in early September.
- 4.12 It is also important that we understand changes to the benefits which continue to be delivered by DWP. Social security forecasts are not produced solely on the basis of what we have observed in the past. There are often other factors that we know may change future spend but we cannot observe in the historic data, such as legal challenges or welfare reform. We have been working with DWP and the OBR to better understand changes at the GB level which may require us to make adjustments to our Scottish forecasts.
- 4.13 To produce our forecasts we consider operational aspects such as the number of applications, mandatory reconsiderations, appeals and award reviews. DWP helpfully publish some information on the total outcomes at each stage of the application process. We are still developing our operational modelling approach and we will look to request more granular information from DWP to support this.

Social Security Scotland

- 4.14 Social Security Scotland is now responsible for delivering Carer's Allowance Supplement (CAS) and Best Start Grant (BSG). The agency also accounts for Carer's Allowance (CA) as it is delivered by DWP through an agency agreement. This remit will expand quickly as more benefits are devolved. Social Security Scotland has produced official statistics for CA, CAS and

¹⁸ Memorandum of Understanding between the Scottish Fiscal Commission and the Department for Work & Pensions ([link](#))

BSG. We welcome the work done so far to provide transparent and accessible information on these benefits.

- 4.15 It would be helpful if there was a financial year view of the spend for each of the benefits. At the time of writing this report, Social Security Scotland is due to publish their first Analytical Performance Report. This will be an annual publication that we hope will address this point. We welcome this improvement and ask if this could be published in advance of September to support our forecast evaluation.
- 4.16 For Funeral Support Payments and BSG it is helpful to have information which splits the data by the month of death or birth, so that we can understand how the timing of expenditure relates to the timing of the births and deaths. This is particularly important for our understanding of take up in the initial period after the introduction of new benefits, as claims can relate to funerals or births which took place several months earlier, or to births that will not happen until the following financial year.
- 4.17 For the Best Start package, it is important for us to be able to see how much of the spend is related to the Pregnancy and Baby Payment for first and subsequent births, Early Learning Payment and the School Age Payment. We know that this is complicated as individuals apply for the Best Start package as a whole and we appreciate the work done to date to be able to split the data in this way. Now Best Start Foods has launched we would also like to see this separately split out in the statistics.
- 4.18 We have continued to engage with staff in Social Security Scotland and the Scottish Government's Social Security Directorate to ensure our data requirements are considered early on when designing the data collection systems and the provision and publication of data. At this stage, we do not note any issues with Social Security Scotland's plans for data collection and publication. In next year's statement we will be in a better position to comment on what has been published and how it meets our needs.
- 4.19 Longer term, we hope that Social Security Scotland develops an online tool similar to Stat-Xplore that would allow stakeholders to access the specific data they require. This would reduce the amount of information requests from us as we would be able to extract data on the factors which may be affecting expenditure.
- 4.20 2018-19 was the first year that social security expenditure was included in the Scottish Government's provisional outturn statement. We use these figures to produce our forecast evaluation report. We would welcome Social Security Scotland publishing their pre-audit expenditure figures at the same time as the provisional outturn statement to improve transparency in this area. This would be in line with the approach adopted for devolved taxes where Revenue Scotland publishes provisional tax revenues to coincide with outturn

statements. We would also encourage Social Security Scotland and Scottish Government to explain any differences between these expenditure figures and those published by DWP in the annual benefit expenditure by country and region tables.

- 4.21 It would also be helpful to have earlier access to any more regular internal or provisional financial data, for example, where DWP is making a monthly charge for devolved benefits that it administers on behalf of Social Security Scotland.
- 4.22 Social Security Scotland is a new organisation with a vision for continuous improvement of its services and practices, so we will need to be kept informed as far as possible about changes such as staffing levels, guidance for decision makers, or application processes which might either affect benefit expenditure in the future, or explain deviations from trends.

Scottish Government

- 4.23 The Scottish Government also produces statistics for social security benefits such as Discretionary Housing Payments (DHPs) that are not administered by Social Security Scotland.
- 4.24 The Scottish Government's DHPs statistics are very helpful and we make extensive use of them in our forecasts. As noted in last year's Statement of Data Needs, it would help us if the Scottish Government was to supplement its statistics on DHPs with further detail on the amount spent to mitigate the RSRS, also known as the bedroom tax. It would also be beneficial to understand how many people were receiving bedroom tax mitigation payments in each financial year, along with the average payment amount.
- 4.25 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. The experience of the roll-out of BSG has shown how important it is to understand what promotional activity will accompany the launch of a new benefit as well as how the application process is changing from the existing UK benefit system.
- 4.26 Take-up rates are one example where it can be difficult to obtain information. We look to the Scottish Government to provide information on its policy and operational decisions as it develops social security in Scotland. There will be times where existing data is not available and it will make it very difficult to provide an accurate cost. An example of this is the proposed change in the definition of terminal illness for disability assistance.¹⁹ There is not existing data that would indicate how many more people may be eligible because of

¹⁹ Scottish Government (2019) Social security policy: Terminal illness ([link](#))

the removal of the time-restriction that exists in the UK legislation. This makes it highly unlikely that we will be able to produce an accurate forecast for disability spend for terminally ill individuals. We will continue to work with the Scottish Government to ensure we have access to the best possible information to inform our forecasts but note in some areas there may be a lack of information to use.

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 2020.

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

Forecast	Top priority statistical needs	Lower priority statistical needs
Economy	<p>QNAS breakdown 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>Labour productivity statistics using jobs and hours data based more directly on the LFS (SG)</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) (SG/ONS)</p> <p>Further Gross Disposable Household Income disaggregations in QNAS (SG)</p>
Income Tax		<p>Evidence on how RTI liabilities data is compiled and divergences from outturn data (HMRC)</p> <p>Outturn data revision policy (HMRC)</p>

VAT		<p>Align publication of VAT assignment data to Scottish and UK fiscal events (HMRC)</p> <p>Outturn data revision policy (HMRC)</p>
Non-Domestic Rates		<p>Data on properties claiming NDR reliefs to be made available sooner (SG via LAs)</p> <p>Make publicly available Valuation roll snapshots (SAS)</p>
Land and Buildings Transactions Tax		<p>Pre-2003 transactions data (RoS)</p> <p>Public sector shared access to ROS records of properties (SG)</p>
Scottish Landfill Tax		<p>Sharing of unrounded Scottish Landfill Communities Fund payment figures (RS)</p> <p>Align publication of statistic with the Commission forecast schedule (RS)</p>
Social Security	<p>More granular breakdowns of some aspects of DWP published information that would help inform our forecasts of devolved social security spend (DWP)</p> <p>Further evidence on operational and policy decisions taken when developing devolved social security benefits (SG & SSS)</p> <p>Information on other factors that may affect our forecast such as legal challenges or welfare reform (DWP, SG & SSS)</p>	<p>Improvements to the statistics and information on the benefits administered by Social Security Scotland (SSS)</p>



Abbreviations

ASHE	Annual Survey of Hours and Earnings
AWE	Average Weekly Earnings
BGA	Block Grant Adjustment
BSG	Best Start Grant
BMW	Biodegradable Municipal Waste
CA	Carer's Allowance
CAS	Carer's Allowance Supplement
DHPs	Discretionary Housing Payments
DWP	Department for Work and Pensions
EJFW	Economy, Jobs and Fair Work
GB	Great Britain
GDHI	Gross Disposable Household Income
GDP	Gross Domestic Product
GERS	Government Expenditure & Revenue Scotland
GOS	Gross Operating Surplus
HMRC	Her Majesty's Revenue and Customs
IIBT	Industrial Injuries Disablement Benefits
LAs	Local Authorities
LBTT	Land and Buildings Transaction Tax
LFS	Labour Force survey

MoU	Memorandum of Understanding
NDR	Non-Domestic Rates
NSND	Non-Savings Non-Dividend
MTFS	Medium Term Financial Strategy
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PAYE	Pay As You Earn
PUT	Public Use Tape
QNAS	Quarterly National Accounts Scotland
RDF	Refuse Derived Fuel
RSRS	Removal of the Spare Room Subsidy
RTI	Real Time Information
SA	Self Assessment
SEPA	Scottish Environmental Protection Agency
SESCG	Scottish Economic Statistics Consultants Group
SFC	Scottish Fiscal Commission
SG	Scottish Government
SLfT	Scottish Landfill Tax
SLCF	Scottish Landfill Communities Fund
SPI	Survey for Personal Income
SPICe	Scottish Parliament Information and Research Centre
VAT	Value Added Tax
VTTL	VAT Total Tax Liability

A full glossary of terms is available on our website.²⁰

²⁰ Scottish Fiscal Commission – Glossary of Terms ([link](#))

Voluntary compliance with the Code of Practice for Official Statistics

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