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# **Business Plan 2021-22**



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# Strategic Context

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1. This business plan presents our priorities for the year ahead and sets out how we plan to deliver our strategic objectives. These are:
  - Delivering trusted, reliable and accessible economic and fiscal forecasts.
  - Working openly and constructively with stakeholders while maintaining our independence.
  - Increasing understanding through active external engagement and clear publications.
  - Building an organisation with robust governance, knowledgeable staff and transparent processes.
2. These strategic objectives were set out in our first corporate plan for 2018 to 2020.<sup>1</sup> The first corporate plan was due to be replaced by a plan covering 2020 to 2023, but was delayed because of COVID-19. The Commission agreed to extend the existing corporate plan and strategic objectives to March 2022. We intend to consult on a new corporate plan in summer 2021.
3. Many of our activities contribute to more than one of our strategic objectives. We illustrate this in paragraph 20.
4. The way we operate as an organisation underpins confidence in our forecasts and assessments. We therefore based our approach on the Organisation for Economic Co-operation and Development (OECD) Principles for Independent Fiscal Institutions.<sup>2</sup> Our values are:

“We are committed to producing high quality forecasts, while being independent, transparent, accessible and open.”
5. Our aim is to produce regular sets of forecast publications. But our main forecasts accompany Scottish Government fiscal events (the Scottish Budget and Medium Term Financial Strategy) which can also be affected by the timing of UK fiscal events. This means the timing of our forecasts is not typically determined by the Commission. As both UK and Scottish fiscal events have not followed a regular timetable for some years now it can be difficult to plan our core and most substantial publications.
6. Nevertheless we try to give as much clarity as we can about when we expect to be able to publish our forecasts, and we publish a list of our forthcoming publications each month. This uncertainty does mean that the dates of some of our activities (particularly those in the second half of 2021) may have to change as the timetable of fiscal events unfolds.
7. There will be no forecast publication in May 2021 because of the Scottish Parliament elections. Following a recommendation from the Finance and Constitution Committee our next set of forecasts will be published on Thursday 26 August 2021.
8. We will report on our activities in two ways. Firstly, we report our forecasting performance in our forecast evaluation reports, which give detailed quantitative and qualitative analysis of how accurate our forecasts were and what the causes of forecast errors have been. Secondly, we report on our corporate work and stakeholder engagement in our annual report and accounts.

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<sup>1</sup> Scottish Fiscal Commission (2018) Corporate Plan 2018 – 2020 ([link](#))

<sup>2</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

# 2021-22 Activities

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## Planned analytical publications

9. Our forecasts are prepared in-house by the Commission's staff, using models developed and maintained by the Commission. Our Commissioners are personally and collectively responsible for the judgements that underpin our forecasts.
10. We have committed to publishing the next Scotland Economic Fiscal Forecasts on 26 August 2021, following a recommendation by the Finance and Constitution Committee. As a result, we are changing the timing and format of the Forecast Evaluation Report (FER) and Statement of Data Needs.
11. We plan to separate our forecast evaluations into two publications. We will publish the economy, social security and fully devolved tax FER earlier in summer (based on provisional outturn data), and the income tax FER once outturn data are available. The precise dates are dependent on when outturn data become available. We will also revisit the purpose and content of the Statement of Data Needs so it is less resource-intensive.
12. This year we also intend to publish occasional papers to give detailed explanations about how the approaches we take to our analytical work. We are planning to cover the following:
  - Approach to forecasting the Scottish economy. This paper will focus on our new in-house macro model, as well as providing an update on our economy forecasting methodology more generally.
  - How the Scottish budget works. This paper will explain the different parts of the Scottish Budget and how our forecasts fit into the budget.
  - Borrowing. This paper will explain the Scottish Government's borrowing powers and how we assess the reasonableness of the borrowing plans.
  - Approach to forecasting for income tax. This paper will explain our current approach to forecasting income tax and modelling behavioural responses to tax changes.
  - Approach to forecasting for Fully Devolved Taxes. This paper will focus on Non-Domestic Rates, Land and Buildings Transaction Tax and Scottish Landfill Tax and provide an update on forecasting methodology since the paper published in 2017.
  - Approach to forecasting for social security. This paper will focus on modelling of disability and carers payments, expanding on the paper published in 2018.
13. Annex A gives the detail of the analytical development work we are considering undertaking this year.

## Strategy, Governance and Corporate Services

14. On the corporate side, we now have controls and monitoring necessary for the proper stewardship of our resources that are appropriate to our scale and functions. These ensure that we manage our people, budget, risk, information and records appropriately. Our priority becomes refining and improving our finance support and budget monitoring processes and reviewing and updating our policies and procedures within the agreed review cycle.
15. We will develop our next Corporate Plan and plan to consult upon it in summer 2021. This will reflect our experience over our first four years and our first statutory review, undertaken by OECD in 2019.<sup>3</sup>
16. We hope that COVID-19 restrictions will relax at some point in 2021, which could allow at least some of us to return to the office. This may mean rearranging office accommodation to allow for social distancing, hybrid home/office working and other COVID-19 measures. We will follow Scottish Government guidance, and it is our goal that the staff are able to work in a pleasant, healthy environment that fosters collaboration and well-being.
17. We use SG shared services, and SG is currently designing new more integrated finance and HR IT systems as part of the Corporate Shared Services Transformation Programme to be introduced later in 2021-22. We will engage with this project, ensuring that the new system will be able to meet the needs of the Commission.
18. We will be planning for Commissioner appointments, as one of our Commissioner's term ends by 31 March 2022, our Chair's term ends on 30 June 2022 and the remaining two Commissioners' terms end on 7 October 2022, though they are both eligible for reappointment. We would want a diverse field of high calibre candidates to apply, which, given the particular expertise needed to be a Commissioner, will require dedicated work.
19. We'll be reviewing how we communicate as lockdown eases, taking into account the advantages that virtual briefings had for journalists and exploring the potential for better graphics to simplify explanations of the complexity of forecasting. Following our benchmark stakeholder survey in 2017 and the OECD review in 2019, we plan a further stakeholder survey to get feedback on our performance from our partners and to better understand their needs.

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<sup>3</sup> OECD (2019) Review of the Scottish Fiscal Commission ([link](#))

## Delivering our strategic objectives

20. The table below illustrates how our planned activities and development work will contribute to achieving our strategic objectives.

Activities	Delivering trusted, reliable and accessible economic and fiscal forecasts	Working openly and constructively with stakeholders while maintaining our independence	Increasing understanding through active external engagement and clear publications	Building an organisation with robust governance, knowledgeable staff and transparent processes
Scotland's Economic and Fiscal Forecasts	✓	✓	✓	
Events & Parliamentary Committees		✓	✓	
Policy costings	✓		✓	
Forecast evaluations	✓	✓	✓	
Fiscal Updates	✓	✓	✓	
Occasional papers	✓		✓	
Statement of Data Needs	✓	✓	✓	
Annual review of protocol with SG		✓		✓
Reviewing / developing MoUs		✓		
Code of practice for statistics work	✓		✓	✓
Discussions with stakeholders	✓	✓	✓	✓
Forecast database		✓	✓	✓
Income tax model documentation	✓			✓
Hedgehog charts and sensitivities work	✓	✓	✓	
Participate in international IFI networks		✓		✓
Corporate policies, processes & controls				✓
Annual report and accounts				✓
Develop new corporate plan		✓	✓	✓
Staff development and training	✓	✓	✓	✓
Support Governance Board and ARC				✓
Transition to office / hybrid working				✓
Transition to new SG systems		✓		✓
Commissioner appointments	✓	✓	✓	✓
Maintain website / communications activities		✓	✓	✓

# Key risks

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21. We consider our risks in five broad themes: corporate, reputation, independence, staffing and partners. We see the biggest risk for us during 2021-22 being staffing. We are conscious that the Commission can only achieve its objectives through the expertise, diligence and commitment of our staff. Staff wellbeing and development will therefore continue to be a focus for us, particularly with restrictions and pressures caused by COVID-19.

# Resources

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22. The Commission comprises four Commissioners:
- Dame Susan Rice (Chair)
  - Professor Alasdair Smith
  - Professor Francis Breedon
  - Professor David Ulph
23. We currently have 22 staff (making a full time equivalent of 20.05), normally located in central Edinburgh, but at the moment everyone is working remotely during the COVID-19 restrictions.
24. The Senior Management Team comprises:
- Chief Executive – John Ireland
  - Head of Economy and Tax – David Stone
  - Head of Social Security and Public Funding – Claire Murdoch
  - Head of Strategy, Change and Corporate Services – Susie Warden
25. The Scottish Fiscal Commission's budget for 2021-22 is £2.05 million. In line with the OECD Principles for Independent Fiscal Institutions, the Scottish Government have provided us with an indication that our funding for 2022-23 and 2023-24 will be £2.115 million and £2.151 million respectively. This resource allocation reflects our current remit, which would need to be adjusted should that remit be altered.



# Annex A – Analytical development work

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## Overview

26. In this Annex we detail development work by area and also cross-cutting projects. They have been drawn from discussions within each team, external commitments, discussions with the Commissioners, developments from our Forecast Evaluation Reports published in 2019 and 2020, the independent review by the OECD in 2019, development work that we were not able to complete in 2020 as well as changes during the year resulting from COVID-19 which have significantly altered the outlook for the Scottish Budget.

## Development work – Economy

Project	Description & output	Benefits
Occasional paper – New in-house macro model	We completed the development of our new macro model in 2020, and used it for the first time in our January 2021 forecast. We will publish an occasional paper outlining the mechanics and properties of the model.	<ul style="list-style-type: none"> <li>• Openness and transparency.</li> </ul>
Nowcasts and short-run forecasts	Looking more at short-run forecasts using novel leading indicators and sectoral analysis. Consider how to formalise and extend sectoral analysis.	<ul style="list-style-type: none"> <li>• Improved forecasts</li> <li>• Improved communication of our forecasts</li> </ul>
Economy visuals	Developing visuals for our economy forecasts, particularly for employment and earnings.	<ul style="list-style-type: none"> <li>• Improved communication of our forecasts</li> </ul>
Funding-spending links & Information Requests (overlaps with public funding team)	This work includes: building a complete and coherent picture of Scottish Government funding and spending; reviewing the public sector output model (used to produce forecasts of Government consumption and capital expenditure); ensuring internal consistency of public sector employment and earnings forecasts (total public sector paybill) with public sector output forecasts and budget plans.	<ul style="list-style-type: none"> <li>• Improved forecasts</li> <li>• Openness and transparency</li> <li>• Improved communication of our forecasts</li> <li>• Improved internal processes</li> </ul>
Supplementary Tables feedback and review	Ensuring that our economy supplementary tables are still meeting users' needs and reviewing if there is anything else that users would like to see included or presented differently.	<ul style="list-style-type: none"> <li>• Openness and transparency.</li> <li>• Increasing public value of our forecasts.</li> </ul>

## Development work – Public funding

Project	Description & output	Benefits
May fiscal update	A short update on the 2021-22 Budget position.	<ul style="list-style-type: none"> <li>• Latest position of the Scottish Budget clear post-election.</li> </ul>
Occasional Paper – How the budget works	A standalone paper explaining the different funding components of the budget.	<ul style="list-style-type: none"> <li>• Improved communication of our forecasts and the Scottish Budget.</li> <li>• Openness and transparency</li> </ul>
Occasional Paper – Borrowing & Reserve	Explain the Scottish Government’s borrowing powers and how we assess the borrowing plans. Analysis of historic use of the Scotland Reserve and Scottish Government’s borrowing.	<ul style="list-style-type: none"> <li>• Improve communication of borrowing and approach to assessing reasonableness.</li> <li>• Openness and transparency</li> </ul>
Public Sector Output model	Working with the economy team to review the public sector output model. Including inclusion of funding elements such as NDR, financial transactions, block grant adjustments and the modelling of public sector employment and earnings.	<ul style="list-style-type: none"> <li>• Ensures robustness of public sector output model.</li> </ul>
Funding tables model development	Improving funding models for tracking changes over time and comparing to Scottish Government published information.	<ul style="list-style-type: none"> <li>• More efficient funding models.</li> <li>• Improve explanation of differences between our funding tables and Scottish Government.</li> </ul>

## Development work – Income tax

Project	Description & output	Benefits
Income tax documentation	Improve documentation on numerous IT models, particularly on some of the more recent modelling changes such as RTI adjustments. Creation of an internal IT handbook that contains theory behind approaches and 'how to' guides for modelling updates.	<ul style="list-style-type: none"> <li>• Openness and transparency</li> <li>• Improved internal processes</li> </ul>
SAS efficiency improvements	The main income tax model is large and complicated, but there are opportunities to make it more efficient. Regular checking of the model against excel tax calculations is also advised for QA.	<ul style="list-style-type: none"> <li>• Improved forecasts</li> <li>• Improved internal processes</li> </ul>
Occasional paper on approach to forecasting and refresh to approach to behaviour paper	An update to the approach to forecasting and behavioural paper. Contains details of our methodology now that we directly use RTI tax data.	<ul style="list-style-type: none"> <li>• Openness and transparency</li> </ul>

## Development work – Devolved taxes

Project	Description & output	Benefits
Property market determinants modelling	<p>Development of house price and transactions forecasting models based on explanatory variables to produce forecasts that can be tied to an explicit narrative about the housing market.</p> <p>Updating short-term non-residential determinants to include survey data, and use GDP forecasts thereafter.</p>	<ul style="list-style-type: none"> <li>• Improved forecasts</li> <li>• Improved internal processes</li> <li>• Improved communication of our forecasts</li> </ul>
NDR – 3 yearly revaluation cycle	Changing the NDR model so that it moves from a 5 yearly revaluation cycle to a 3 yearly revaluation cycle.	<ul style="list-style-type: none"> <li>• Model change is needed because of the changes made as part of the NDR (Scotland) Bill.</li> </ul>
Current Approach to Forecasting	Update to the 2018 Occasional Paper setting out our current forecast methodologies for NDR, LBTT, SLfT, Aggregates Levy (and possibly APD). Where possible we would look to publish the models on the website along with relevant user guidance (linking to the handbook project below)	<ul style="list-style-type: none"> <li>• Openness and transparency</li> </ul>
Development of Tax Area handbooks and model instructions	Continuation of pre-MTFS project for business continuity. Handbooks to be developed for NDR, LBTT, SLfT, APD and Aggregates Levy.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> </ul>

## Development work – Social security

Project	Description & output	Benefits
Policy costing	Policy costing of Adult Disability Payment	<ul style="list-style-type: none"> <li>• Required for our next forecasts or supplementary publication to support secondary legislation</li> </ul>
Develop our suite of monitoring models	Further develop monitoring models: <ul style="list-style-type: none"> <li>• Improve forecast tracker to automatically populate tables and supplementary tables</li> <li>• Disability spending overview – track and compares DLA, PIP and AA forecasts</li> <li>• Monthly monitoring of spending information from Social Security Scotland</li> </ul>	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved communication of our forecasts</li> </ul>
Other model development	Improvements or changes to existing models: <ul style="list-style-type: none"> <li>• Restructure Wave 1 payment models now regular data received from Social Security Scotland.</li> <li>• Continue to develop disability payment models to reflect underlying trends such as changes in average payment and demographics. In addition developments will support policy costing work and align with the Carer's Allowance model</li> <li>• Develop other models to reflect data received from Social Security Scotland, changes to State Pension Age and links with Universal Credit.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved forecasts</li> <li>• Better compatibility of models / consistency of approach</li> </ul>
Preparation for FER	Expand Forecast Evaluation Report as the first report covering disability payments.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Better prepared for FER</li> </ul>
Documentation	Produce updated notes for all our models following feedback from model QA in summer 2020.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Business continuity</li> </ul>
UKMOD eligibility tool	<ul style="list-style-type: none"> <li>• Use the new release to provide updated view of eligibility for low income payments</li> <li>• Compare with the Scottish Government's PSM outputs</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures eligibility assumptions are robust</li> <li>• Improves transparency and reliance on PSM</li> </ul>
Revisit <a href="#">MoU with DWP</a>	The MoU must be formally reviewed no later than Summer 2021	<ul style="list-style-type: none"> <li>• Better informed forecasts for agency agreement payments</li> <li>• Improved working relationship with DWP</li> </ul>
Occasional Paper	Updated approach to forecasting paper covering disability and carer's payments.	<ul style="list-style-type: none"> <li>• Openness and transparency</li> </ul>
Keeping informed on social security developments	Review approach for: <ul style="list-style-type: none"> <li>• Monitoring and responding to PQs</li> <li>• Monitoring Social Security Committee questions</li> <li>• Preparing for Committee appearances</li> </ul>	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved awareness of social security commentary and discussions</li> </ul>

## Development work – Cross-cutting

Project	Description & output	Benefits
Forecast database – Pilot phase	Develop a forecast database piloted with economy forecasts.	<ul style="list-style-type: none"> <li>• Openness and transparency</li> <li>• Improved internal processes</li> </ul>
Planning ahead of next SEFF publication	<ul style="list-style-type: none"> <li>• Wash-up from January 2021 SEFF</li> <li>• Improve publication planning and coordination tool</li> <li>• Update templates and style guide</li> </ul>	<ul style="list-style-type: none"> <li>• Improved internal processes</li> </ul>
Review statement of Voluntary Application (VA) of the code of practice for statistics, correction policy, and error log	<ul style="list-style-type: none"> <li>• <u>Voluntary Application (VA) statement</u>. Update statement and publish on website.</li> <li>• <u>Corrections policy</u>. Review corrections policy and publish updated policy on website.</li> <li>• <u>Error log</u>. Review error log and link to corrections policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep up our profile as Voluntary Adopter</li> <li>• Improved internal processes</li> </ul>
Population projections	Continue to update our own bespoke population projections and improve model documentation.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> </ul>
Costings	Creating a Costings database of all previous costings.	<ul style="list-style-type: none"> <li>• Openness and transparency</li> </ul>
Quality Assurance	Undertake a light QA exercise across SFC. Encouraging teams to action their previous QA modelling results and offering support where required.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Improved forecasts</li> </ul>
Objectives	Aligning staff objectives for B2 and B3 analytical staff. Involve staff in these levels throughout the process.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> <li>• Ensure consistent standards for staff across the Commission.</li> </ul>
Forecast sensitivities	Create approach to present forecast sensitivities or uncertainties for example using hedgehog diagrams, and provide templates and guidance for teams to ensure consistency.	<ul style="list-style-type: none"> <li>• Meaningful representation of our forecasts history, giving an indication of the uncertainty / error around current forecasts.</li> <li>• Openness and transparency</li> </ul>
Protocol with the Scottish Government	Annual review of the Protocol with the Scottish Government, revisions will reflect the practical experience of the protocol during the past year.	<ul style="list-style-type: none"> <li>• Improved internal processes</li> </ul>
HMT MoU and access to policy costing information	From Statement of Data Needs 2020	<ul style="list-style-type: none"> <li>• Better informed forecasts in respect of UKG policy decisions</li> </ul>
Develop greater infographics capability	Explore how we can improve interpretation of our work on our website, Twitter and LinkedIn through better use and quality of graphics	<ul style="list-style-type: none"> <li>• Improved communication of our forecasts</li> </ul>

# Abbreviations

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AA	Attendance Allowance
APD	Air Passenger Duty
ARC	Audit and Risk Committee
DLA	Disability Living Allowance
DWP	Department of Work and Pensions
FER	Forecast Evaluation Report
HMRC	Her Majesty's Revenue and Customs
HR	Human Resources
IFI	Independent Fiscal Institution
IT	Income Tax (in context)
IT	Information Technology (in context)
LBTT	Land and Buildings Transaction Tax
MoU	Memorandum of Understanding
NDR	Non-Domestic Rates
OECD	Organisation for Economic Co-operation and Development
PIP	Personal Independence Allowance
PSM	Policy Simulation Model
QA	Quality Assurance
RTI	Real Time Information
rUK	rest of the United Kingdom
SAS	Statistical Analysis Software
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission
SG	Scottish Government
SLfT	Scottish Landfill Tax
UKMOD	Tax-benefit microsimulation model for the UK

A full glossary of terms is available on our website: [Glossary | Scottish Fiscal Commission](#)

## Professional Standards

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The Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).<sup>4</sup>

The Commission also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far 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.<sup>5</sup>

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<sup>4</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

<sup>5</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))



# Correspondence and enquiries

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We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this publication or the commission, please contact [info@fiscalcommission.scot](mailto:info@fiscalcommission.scot). Press enquiries should be sent to [press@fiscalcommission.scot](mailto:press@fiscalcommission.scot).

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