



The Scottish Parliament
Pàrlamaid na h-Alba

Finance and Constitution Committee

Lady Susan Rice
Chair
Scottish Fiscal Commission

The Scottish Parliament
Edinburgh
EH99 1SP

Tel: (0131) 348 5215
Finance.Constitution@scottish.parliament.uk

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Dear Susan,

As you will be aware, the Finance and Constitution Committee recently published its report on the Scottish Government's Draft Budget for 2017-18. The Committee made a number of recommendations which require a response from the Scottish Fiscal Commission. These recommendations are reproduced in Annex A to this letter. A copy of the full report is available at—

<http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/103269.aspx>

I look forward to receiving a response, in writing, to the Committee's recommendations that relate to the Scottish Fiscal Commission.

Yours sincerely,

Bruce Crawford MSP
Convener

Annex A – Recommendations in the Committee’s report on the Scottish Government’s Draft Budget 2017-18 directed at the Scottish Fiscal Commission

Revenue Forecasting

Paragraph 39 - The Committee recommends that in future years the SFC provides a breakdown of any changes to its forecasts including the reasons behind them and quantification of the amounts which result from each factor. For example, any proportion that is due to policy change and any proportion that is due to methodological change.

Paragraph 40 - The Committee also recommends that the SFC publishes in-year forecasts for each of the devolved taxes in its report on the draft budget in addition to future forecasts.

Paragraph 41 - The Committee also notes that the SFC has a statutory requirement to produce forecasts for the devolved taxes twice a year and further consideration will need to be given to how this works in practice including the level of parliamentary scrutiny and the impact of the revised forecasts on the public finances.

Reconciliation – Income Tax

Paragraph 49 - The Committee also recommends that it is essential that an analysis is provided of the outturn figures against forecast and an explanation provided for any differences. The Committee recommends that the SFC provides an analysis of the outturn figures against the forecast for Scottish income tax revenues as soon as practicable after the outturn figures become available.

Reconciliation – Fully Devolved Taxes

Paragraph 54 - While there is no reconciliation between the Scottish revenue forecasts and the outturn figures the Committee nevertheless recommends that the SFC provides an analysis of the outturn figures annually.

Medium-Term Financial Strategy

Paragraph 125 - The Committee notes the increased levels of tax and borrowing powers and the increased dependence of the budget on relative economic performance. It recommends that the Budget Process Review Group explores the options for a more strategic approach to financial planning. This should include the role of the SFC in supporting such an approach.

LBTT – Residential Revenue Forecasts

Paragraph 200 - The Committee asks the SFC to clarify whether the available outturn data for 2016-17 shows that the housing market in the £325k to £750k band remains subdued as explained in its outturn report for 2015-16.

LBTT – Behavioural Responses

Paragraph 206 - The Committee asks the SFC whether it intends to include behavioural factors in its forecasting methodology for residential LBTT.

Borrowing – Long-Term Investment Commitments

Paragraph 250 - The Committee notes that the SFC remit now includes a duty to “set out the Commission’s assessment of the reasonableness of Scottish Ministers’ projections as to their borrowing requirements.” The Committee recommends that this includes analysis of the Scottish Government’s long-term investment commitments which currently amount to over £1 billion annually.