

Scotland's Economic and
Fiscal Forecasts
Supplementary Budget Bill Publication
January 2018

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Introduction

- 1 The Scottish Fiscal Commission's establishing legislation was designed around the Budget Process as set out in the Written Agreements with the Scottish Parliament.¹ This process originally saw the Draft Budget being published in September and the Budget Bill introduced in January.

- 2 The provisions in section 5 of the Scottish Fiscal Commission Act 2016 are as follows.²
 - (1) The Commission must send—
 - (a) a report prepared under section 2(2) to the Scottish Ministers in sufficient time for them to use the report to prepare the draft Scottish budget for the subsequent financial year, and
 - (b) another report prepared under section 2(2) to the Scottish Ministers in sufficient time for them to use the report to prepare a Bill for a Budget Act for that year.
 - (2) The Commission must lay before the Scottish Parliament—
 - (a) a report prepared under section 2(2) on the same day as that on which the Scottish Ministers lay before the Parliament the draft Scottish budget for the subsequent financial year, and
 - (b) another report prepared under section 2(2) on the same day as that on which a member of the Scottish Government introduces a Bill for a Budget Act in the Parliament for that year

- 3 In 2016 and 2017 the Draft Budget was published in December, following the UK Government's Autumn Statement. The Budget Process Review Group was established in 2017 to carry out a fundamental review of the Scottish Parliament's budget process following the devolution of further powers in the Scotland Act 2012 and Scotland Act 2016.³ The Budget Process will be changing to implement the Budget Process Review Group's recommendations which were published in June.⁴ These changes will be

¹ Scottish Parliament The Budget Process Session 4 Agreement Between the Scottish Government and the Finance Committee (Revised Version – April 2015) ([link](#))

² Scottish Fiscal Commission Act 2016 ([link](#))

³ Budget Process Review Group ([link](#))

⁴ Budget Process Review Group (30 June 2017) Final Report ([link](#))

adopted to take effect during the 2018-19 financial year. Changes are required to amend the Scottish Fiscal Commission Act to ensure we are properly supporting this new process. It is envisaged that we will produce a forecast for the simultaneous introduction of the Draft Budget and Budget Bill in December, and a second forecast to support the Scottish Government's Medium Term Financial Strategy in spring.

- 4 This report fulfills our current statutory duty to lay a report before Parliament at the introduction of the Budget Bill.

Forecasts Produced in December 2017

- 5 The Commission published forecasts to accompany the Scottish Government's Draft Budget on 14 December 2017.⁵ There have been no changes in Scottish Government policies requiring a Commission forecast between the Draft Budget and Budget Bill introduction.
- 6 Given the proximity of these two fiscal events, and because at the time of writing there has not been a material change in the data available to us, we will not provide updated forecasts at this time.
- 7 In particular, quarter on quarter growth in Scottish GDP can be volatile and affected by one-off events which are hard to anticipate. We form our forecasts by looking at longer term trends from a range of data sources. No single release such as the 2017 Q3 estimate published on 17 January would lead us to fundamentally change our view of the economy.
- 8 Our forecasts published on 14 December will continue to provide the basis for the 2018-19 Budget process. This also has the advantage that the policy costings provided in our December report will be comparable with any new costings the Commission publishes during the passage of the Budget Bill through Parliament.
- 9 In line with the proposed new Budget process, our next substantive forecast will be produced in the spring, to accompany the Medium Term Financial Strategy. The precise timing of this is still to be agreed.

Forecasts in the Event of Policy Change

- 10 The Commission may provide further information to support the 2018-19 Budget process. If, during the passage of the Budget Bill through Parliament,

⁵ Scottish Fiscal Commission (2017) Scotland's Economic and Fiscal Forecasts ([link](#))

there are Government policy changes which impact on an area of the Commission's remit, such as on tax policy, we will provide updated policy costings to support parliamentary scrutiny and to ensure official independent forecasts are available to the Scottish Parliament. The process for this has been set out in a supplement to the agreed Protocol with the Scottish Government, which we have published on our website.

- 11 These policy costings and updated forecasts will be published on our website at the same time they are provided to the Convener of the Finance and Constitution Committee and the Cabinet Secretary for Finance and the Constitution.



Dame Susan Rice DBE



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