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Bruce Crawford MSP
Convener, Finance and Constitution Committee
The Scottish Parliament
Edinburgh
EH99 1SP.
22 December 2020
Sent via email

Dear Convener,

PRE-BUDGET SCRUTINY 2021-22

I am writing in response to the publication of the Committee's *Pre-budget scrutiny 2021-22 report* on 7 December.

The report makes a number of recommendations that the Commission is happy to address in its work.

A key issue for next year's Budget will be the potential for differential effects of the pandemic on Scotland relative to the rest of the United Kingdom. The Committee asks if we can address the level of risk in our economic and fiscal forecasts. Our next set of forecasts will be published on 28 January 2021 to accompany the Government's Budget. As usual our report will include a discussion of the risks to the forecasts. As we have said on a number of occasions the pandemic and the UK's exit from the EU will make this particular set of forecasts considerably more uncertain than previous ones. We're conscious of the importance of differential effects of the pandemic on Scotland and we intend to consider this risk in our commentary on the overall budget position.

The Commission committed to provide an analysis of the impact of growth on income tax revenues in Scotland and the UK for 2018-19 once the data are available. I have asked the Commission's Chief Executive to agree the timing with the Committee's Clerk.

The Committee asked us to comment specifically on the most recent earnings data and whether it would lead us to continue to forecast a relative slowdown of Scottish earnings. At this stage in preparing the forecast we are unable to comment on this issue although we will discuss it in our report.

Yours sincerely

A handwritten signature in black ink that reads "Susan".

Dame Susan Rice DBE