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Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP

11 March 2022

Dear Convener,

As part of the Committee's Budget Scrutiny 22-23 report we noted recommendation 98 from the Committee which sought an update on the Scottish Fiscal Commission's work to produce its first Fiscal Sustainability Report. We were also pleased to read the Committee believe this is a valuable piece of work.

In September last year I wrote to the Committee outlining a [broad approach](#) to producing a fiscal sustainability report. Following the support from the Committee in October we requested additional funding from the Scottish Government. The 2022-23 Scottish Budget contained funding of £2.3 million for 2022-23 that included in full our request for additional resources to support work on fiscal sustainability.

The additional funding has allowed us to hire two new staff members. We have also reallocated some resources within the Commission, bringing our public funding team to four staff members led by a member of our senior management team. This team will continue to develop our existing commentary on the funding position of the Scottish Budget, the Scottish Government's borrowing plans and use of the Reserve. In addition, they have started work on fiscal sustainability, reviewing reports produced in other countries and considering data and information available for Scotland. We have begun engaging with others working on fiscal sustainability including peers in the Northern Ireland Fiscal Council and the Office for Budget Responsibility. We plan to publish a scoping paper in the late summer 2022 explaining in detail how we will approach the first report, to be published in summer 2023. The scoping paper will form the basis of consultation on the scope of the first report.

I have also written today to the Social Justice and Social Security Committee regarding the Commission's role in the Scottish Government's Medium Term Financial Strategy (MTFS) and Resource Spending Review (RSR) which are due to be published in May. Ordinarily we do not produce policy costings until the Scottish Government has confirmed policy and can provide sufficient details on implementation dates and the planned structure of payments after the changes are introduced before we produce a first estimate of spending. Our December 2021 forecasts did not reflect Scottish Government plans to replace Carer's Allowance, Attendance Allowance, Industrial Injuries Scheme, and Winter Fuel Payments with new Scottish payments.

In order for the Scottish Government's MTFs and RSR to accurately reflect future social security spending it is important that the forecasts of spending include estimates of any changes in spending arising from the Scottish Government's planned changes. This year will be the first time the Scottish Government has conducted a multi-year spending review since the Commission was established. We plan to include indicative costings in our forecasts for additional spending associated with the Scottish Government's planned policy changes; this will be based on discussions with the Scottish Government. The Scottish Government agree with this approach and confirmed they will use our forecasts, including the indicative costings, in the RSR and MTFs.

I have copied this letter to the Cabinet Secretary for Finance and the Economy.

Yours sincerely

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

Dame Susan Rice DBE